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Carnegie Endowment for International Peace

DIVISION OF ECONOMICS AND HISTORY

PRELIMINARY ECONOMIC STUDIES OF THE WAR

EFFECTS OF THE WAR

UPON

INSURANCE, WITH SPECIAL REFERENCE
TO THE SUBSTITUTION OF INSURANCE
FOR PENSIONS

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Carnegie Endowment for International Peace

DIVISION OF ECONOMICS AND HISTORY

JOHN BATES CLARK, DIRECTOR

PRELIMINARY ECONOMIC STUDIES OF THE WAR

EDITED BY

DAVID KINLEY

Professor of Political Economy, University of Illinois
Member of Committee of Research of the Endowment

No. 6

EFFECTS OF THE WAR UPON INSURANCE, WITH SPECIAL REFERENCE TO THE SUBSTITUTION OF INSURANCE FOR PENSIONS

BY

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EDITOR'S PREFACE

This study of the effects of the war on insurance by Professor W. F. Gephart of Washington University, St. Louis, is the sixth in the series of preliminary studies on the war, issued by the Carnegie Endowment. The author is a well known authority on life insurance and the writer of two or three books on the subject. In his study of the topic he has directed attention not only to the immediate methods and purposes of the government in providing for the families of soldiers by these new schemes of insurance, but has also inquired into the effect of the large draft of men into military service, and of the governmental insurance plans referred to upon the ordinary activities of the established life insurance companies. For it is evident that their constituency is largely diminished by the inclusion, under the new government scheme, of a large number of physically fit subjects of insurance. It is true, of course, that their risks are at the same time diminished in a considerable degree by the limitations of their policies with reference to war. In short, the influence of the new governmental policy on this old and well established business is a matter for earnest consideration, and this fact justifies the author in his careful presentation of this phase of the subject.

The plans of life insurance put into effect by the governments of Great Britain and the United States, in lieu of, or in anticipation of, the old fashioned pensions, are full of interest. Certainly a country which causes its members to take the extraordinary risks of war is bound to care for their families in some adequate way. The old fashioned method of pensions was unsatisfactory from several points of view. Not only was it inadequate in numerous instances, but it afforded many opportunities for corruption, political intrigue and unfair distribution. So far as can be judged at the present time the new method is

much superior. In any event, it is a burden which the people ought to carry through their government, at least as largely as the present legislation requires. The participation of the insured men in the payment of premiums is, of course, a desirable feature. It will not only arouse but hold their interest, and it will go far towards preventing the imposition of an unfair burden on the public. Taken as a whole, the war life insurance legislation is a notable forward step.

Some of the profoundest changes in insurance methods caused by the war have been in the field of marine insurance. As the author points out, risks in this field have been largely multiplied. The two methods adopted, one by Great Britain, and the other by our own government, are indicative, perhaps, of some differences of temperament of the peoples of the two countries. Both governments are carrying the extra risks caused by the war. But Great Britain discharges, or performs, its service in this matter through existing companies, while our government has made the work that of a special government department created for the purpose. Both methods indicate an extension of government activity, but neither may safely be relied on as evidence of a disposition on the part of the public either to extend the liability of the public treasury to cover other than additional war risks or to prolong the liability beyond the period absolutely necessary.

In short, the whole study shows that while there is a more widespread belief than ever before in the propriety of what is commonly called social insurance, not only in the field of life, but of other insurance, there is no evidence that after the war the services of private insurance companies will be dispensed with or their field of activity seriously limited by government participation in insurance.

DAVID KINLEY,
Editor.

FOREWORD

To attempt a study of the effect of the war on the leading forms of insurance in the midst of the war, may appear futile and therefore useless. That such a study has been made under great difficulties is apparent. Data on some phases of the effect of the war on insurance have been impossible to secure, especially from the Central Powers, owing to the interruption of communication. Even in the other nations, the publication of much insurance data has been delayed on account of the pressure of other work. The private insurance companies have had their office forces reduced by enlistment. In other cases there is no disposition to make public some of the effects which the war has had on the business. Old laws and regulations governing insurance have been subjected to frequent material changes and extensions. And yet it has been thought worth the effort to make such a study, both because the fundamental readjustments in insurance legislation for the period of the war have already been made, and especially because a collection of these changes and a discussion of their character and import may be of some service in aiding in the profound adjustments which must be made later as a result of the war. Civilized society in all the leading nations seems to be on the eve of a wide extension and application of the insurance principle, and whether this is done by direct government action or by private companies under the supervision of the government, there will need to be a careful study of the plans adopted during the war and the success which has been achieved, if the greatest measure of service to society is to be secured by this increased use of the insurance principle.

No one is more conscious than the writer of the regrettable gaps in the discussion, occasioned by the inability to secure data. Nor has it been an easy matter to decide what material to use of that available. The writer, therefore, directs the attention of

the reader to the sub-title of the study. An effort has been made to make the study as concise as possible by selecting for statement and discussion only what seemed to be the most important.

The sources of the data are given in footnotes. In many cases direct quotations of some length have been given of fact material. This is especially true in the case of *The Economic World*, whose editor, Mr. A. R. Marsh, is rendering a distinct service in collecting data upon the changes which the war is working on insurance. To him the writer expresses obligation. To the Carnegie Endowment for International Peace, under whose auspices the study has been prepared under the direction of Dean David Kinley of the University of Illinois, the writer is under special obligations, as well as to the authorities of the Library of Congress who have been of invaluable service in aiding the author in securing data.

W. F. GEPHART.

December 1, 1917.

Washington University, St. Louis.

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**EFFECTS OF THE WAR UPON INSURANCE,
WITH SPECIAL REFERENCE TO THE
SUBSTITUTION OF INSURANCE FOR
PENSIONS**

I

INTRODUCTION

General Considerations on War and Insurance

CHARACTER OF INSURANCE

It is in some respects a mystery why society has failed to use more extensively the insurance principle as an agency to further social and economic welfare. This is especially true when one considers that the basic principle of insurance is cooperation, a kind of social conduct for which man by his very nature is suited and in which either from necessity or choice he has had long experience. Socrates and earlier students of human society pointed out long since that man is by nature a social animal, and yet on account either of his group conflicts or of his personal competitive conduct man is limited continually in the use of this natural agency, cooperation, to further his welfare. Insurance is cooperation, organized on the most scientific basis. It is but the application of the law of average to some of the most important risks to which man is subject. In life insurance it is a combination of the laws of mortality and the principles of finance, and in the other well organized forms of insurance the same or similar well known principles are used in devising the system of insurance. Yet there is little general appreciation of the simplicity of the insurance principle. This is doubtless due in part to the fact that sufficiently well organized efforts on a wide scale to popularize the insurance have never been made, and in part to the fact that the masses have had little direct experience with the apparently complex principles of finance, mortality laws, averages, and other basic factors, underlying insurance conduct. After giving

all due credence to the avowed purposes of the officials of private insurance organizations to have the public understand the principles on which their business was conducted, the fact remains that even few of the policyholders, not to mention the public at large, have had any considerable understanding of insurance. It has sometimes happened that campaigns of education, designed to acquaint the public with the merits of insurance, have unconsciously been devised for the purpose of persuading the public to purchase more of the particular kind of insurance which the originators of the educational campaign had for sale. And yet no particular criticism is to be imputed to the officials of the insurance organizations. It is a situation for which neither the managers nor the public can be blamed. The gulf between the insurer and the insured, is yet very wide, but it is one which must be closed if private insurance is to justify itself. There is no doubt that the insurance principle has increasingly been used to meet economic and social needs. During the past half century it has been applied to serve the purposes of private business, such as group insurance, corporation, rent and profit insurance; likewise, in the purely social field of human affairs, the insurance principle has had new applications, such as those of disability, sickness, old age, and compensation insurance.

SCIENTIFIC DEVELOPMENT

Nor is there any doubt that the old forms of insurance have become more scientific along with these extensions of new forms of insurance which, as data become more abundant, will place the newer forms on as scientific bases as these older forms of insurance. Marine insurance, which was one of the earliest forms of insurance to be well organized, yet retains in its standard policy some of the provisions of the early policies that are strangely out of harmony with modern conditions, but this has not prevented the extensive application of marine insurance to the twentieth century world of international trading which is happily free, at least in times of peace, from "pirates, rovers, thieves, jettisons,

letters of marque and contremarque, detainments of all Kings, Princes and Peoples."

In life insurance, there have been refinements in the mortality tables, the construction of tables of select lives, and the tabulation of increasingly accurate vital statistics. Medical and sanitary science have been making such rapid advances, the collection of accurate vital statistics has so greatly improved in so many countries, that students of life insurance had begun to believe that nothing could invalidate the increasingly scientific principles, upon which the business of life insurance was conducted.

In fire insurance, of the older forms of insurance perhaps the least scientific, so far as the determination of rates on a fair and equitable basis was concerned, there had been considerable advance in scientific systems of rate determination by a more careful and complete separation of the risks and an analysis of their constituent elements. In all the preceding forms of insurance uncertainty as to rates on individual risks or groups of risks was being replaced by scientific rates.

In the new forms of social insurance, great interest and popular approval were being manifested. The great service to society rendered by the use of the insurance principle in the case of compensation insurance for injured industrial workers, or health or old age or accident insurance compensated for any inaccuracies from a scientific standpoint in the rates which were charged to individuals or groups.

In short, the ability to predict with accuracy the happening of future events, which is the prime prerequisite of all insurance, was becoming increasingly possible and hence insurance of all kinds was becoming increasingly scientific.

SOCIAL CHARACTER

Insurance is but a cooperative organization on the most scientific basis. It has all the good features which characterize individualism, and none of its evils, inasmuch as the individual member of the insurance group is left the largest measure of

individual conduct, while through his association in the insured group, he is able to secure all the good results which come from collective or cooperative conduct. As contrasted with many other cooperative associations, the liberty surrendered, and the restricted conduct imposed, are infinitesimal when compared with gains achieved through the insurance organization. Indeed, the individual secures for himself the impossible of accomplishment as an individual. He frees himself, as an insured individual, from the chaotic and evil workings of chance.

In the life insurance group he secures for his dependents that protection which only the fortunate beneficiaries of the normal operation of the law of mortality and of the uncertainties of struggle for economic security enjoy. In the property insured group, he has restored to him by the group his losses. Likewise, in other forms of insurance, the insured individual, or his dependents, is restored to the status approximating that preceding the misfortune, and this without any necessary relation between the cost to the individual insured and the benefits which he or his beneficiaries receive. And insurance is the only known institution by which this end can be achieved without a semblance of charity. Insurance is always concerned with the future which it is constantly discounting in terms of the misfortunes of the present. It offers the single method known to socialize charity; that is, a means of protecting the individual against most of the contingencies in life which make him, or his dependents, look to society for aid in times of misfortune.

And yet insurance does not replace or produce either tangible or intangible capital. It simply distributes what is already in existence. It takes from the many to give to the few. Insurance itself is an economic and social burden. It is one of the costs of human society. It is to be valued only because it lessens certain other costs or burdens which society by its very organization must bear. Insurance, viewed as a mathematical process, is always one of subtraction and not of addition. It is always of this character for society and ought to be such for the individual who receives the benefit of the insurance. The life still lived,

the property not burned, the body not injured by accident, the surety bond not paid—each should be valued more highly than any sum paid to the insured or his beneficiary. Insurance is thus the most social of institutions, and its uses as a social and economic agency have scarcely yet been realized. Its social advantages are as constructive as those of war are destructive. As the peoples of the nations have been brought into closer relation, their interdependence has greatly increased and hence any such destructive agency as war has much more serious and permanent evil effects on society. Its influences ramify throughout the social body. It is not, therefore, surprising that there is an increasing tendency to use a constructive agency—insurance—as broad in its scope and influence as is the destructive agency which it seeks to combat—war. Not the least of the already apparent evil results of the great war is the effect which it is having on the development in the use of the insurance principle.

WAR HAZARDS

It has been stated that insurance in all its forms was becoming increasingly scientific, and it is in its effect on this development that war is having on insurance one of its most serious effects. That is, war is interrupting this scientific development of insurance because it introduces new hazards which can not be accurately calculated.

Since the United States found it necessary to enter the war, no department of American business has found it more imperative to set about accommodating itself with the utmost energy and the utmost speed to the requirements of the new situation than has insurance. In every direction the activities of the managers of American insurance to this end have been most striking. The task has naturally been a most difficult and burdensome one, because at least three different orders of considerations have had to be kept steadily in mind; and these considerations have been in certain important respects of a conflicting character. The first of these considerations is that of patriotic duty, involving the employment of our entire system of insurance in all its varieties to ease, in so far as this is practicable and feasible, the strains and hazards of war for the community at large. War brings with it strange shiftings of the incidence and of the collateral effects of the risks of life. While it is being prosecuted, the greatest dif-

ferences are developed as between individuals and groups of individuals, and also as between diversely located communities, as regards the gravity of these risks. It is in the public interest that these excesses of risk for the relatively few should be distributed as evenly as possible over the entire population, and it is a part of the patriotic duty of insurance to do what it can to accomplish this even distribution.

As against this consideration, however, there arises another, namely, that from their very nature the extra hazards of war have in them a large element of incalculability, since war is not the nominal state of human society and thus from its comparative rarity as well as from the great changes which take place from generation to generation in the methods of conducting it, it affords little opportunity for collecting dependable experience in the insurance sense. Guesswork, therefore, necessarily plays an inordinate part in the calculation of the true cost of war risks to the insurers. Yet underwriters have always to bear in mind the overriding obligation to maintain their solvency and not to do injustice to the general body of their policyholders in order that they may show an overfull measure of patriotic generosity to the group or groups of policyholders particularly exposed to the hazards of war.

There is no doubt that war will increase the mortality rate of life insurance companies, but to what extent there is all too little statistical data to give any evidence.

Modern warfare is such as to cause a tremendous death rate among those exposed. On the other hand, the improvements in hospital practice and war relief work have been so influential as to have a favorable effect upon prolonging the lives of the disabled, and, in fact, effecting many cures which in previous wars would have been regarded as impossible of accomplishment.

So far as life insurance is concerned, there is bound to be a greater exposure to the war hazard than ever before, as the proportion of policyholders to population is far greater and the per capita amount carried is also greater than at the time of previous wars.

It has now been made clear that the casualties of war are not confined to those exposed to shot and shell, bomb and bayonet. The repercussions of war upon the civil population are of the most serious and far reaching character. The mortality both of the old and of the very young is greatly increased by the strains, psychologic and economic, that war creates. Normal mental and physical health for all classes of society is remarkably difficult to maintain under the stresses of war. Grievs and anxieties are ever drawing upon mental health; industrial pressure, due to the insatiable demand for war material, produces intensified and cumulative fatigues for great masses of workers, male and female. Both infectious and degenerative diseases increase rapidly among the civil population in time of war. Tuberculosis gets a fresh hold on the community, as a result of depressing effects of war; and the death-rate from it tends to rise sharply. Industrial and other accidents, also, grow more numerous, partly in consequence of heightened effort and speed in industry and of the carelessness of workers induced by weariness, monotony and ever-present strain, and partly by reason of the

continuous preoccupation of masters and workers alike with apprehensions, cares and sorrows outside their customary round of work. Finally, not a single country engaged in the present war has been able to avoid entirely inequalities and uncertainties in the supply and distribution of the necessities of life, particularly articles of food. Despite all governmental effort and care, prices of these necessities have fluctuated in the most violent way in all the belligerent countries; supplies have been irregular to a greater or less extent; and it has too frequently happened that considerable classes or groups of all the populations involved have been forced by excessive prices simply to do without many things essential to their health and well-being. Undernutrition and malnutrition have occurred on a far wider scale in even the most comfortably-off European countries than the great majority of Americans in the least suspect; and the average of health, vitality and efficiency for the populations of these countries as a whole has been correspondingly reduced, to the undoubted detriment of the military and naval forces themselves.

Safeguarding the health, vitality and well-being of a people at war is as much a work of nation-wide cooperation and of trained efficiency of the highest type, as is the provision and equipment of armed forces on land and sea, and the supplying of these forces with adequate food, munitions, medical and surgical care, and the like. In peace, as has been demonstrated of late years in the United States, great improvement can be brought about in the conditions of the public health, through the more or less loosely associated and not firmly organized and centralized endeavors of a multitude of individuals and of public and private agencies of a more or less official or formal kind. It is more than doubtful, however, whether this method even approaches adequacy in time of war, when the most important desideratum of all is that no smallest part of the body politic should be remote from instant touch with a central authority, competent and ready to act on the spot, when occasion arises.¹

WAR AND PROPERTY INSURANCE

In many forms of property insurance old hazards have been increased and new hazards have arisen.

Fires are likely to be more frequent even in those parts of a country which are not within the area of actual hostilities. Under the necessity of speeding up production, factories are under pressure. Machines are run at higher speed and more continuously. Workmen are likely to be less careful in respect to agencies producing fires. Material is carelessly stored. Waste accumulates. Less attention than in normal times is given to the

¹ *The Economic World*, n. s., vol. xiii, No. 17, p. 596.

inspection of fire protective devices, such as sprinkler systems. When a fire occurs, the losses are likely to be greater on contents because of their accumulation and their improper storage. Already there is a marked increase in property loss due to fires in the United States, and while the accusation is frequently made that the loss is due to acts of enemies, and while this is doubtless true in some cases, yet it is safe to predict that careful investigation will show that by far the largest amount of the increased loss is due to the abnormal conditions surrounding property in war times and not to a marked increase in incendiarism.

In the areas of the nations over which the war is actually being fought, the increase in property loss is enormous. Not only are there cases of deliberate burning of property by the enemy, but in many other cases property is set on fire as a result of the actual combat by such instruments of warfare as the artillery, or, if not actually burned, it is demolished. Nor is this loss confined to buildings. The method of conducting this great war is such that to all intents the land is temporarily destroyed. Before much of it is suitable, either for agricultural or building purposes, but especially for the former, a considerable expenditure of capital and labor will be necessary. The whole landscape in many places is destroyed. Deep trenches have been dug and craters made by the powerful shells are found everywhere. The ground is strewn with the rubbish of the contest. Trees, forest and fruit, have been cut, torn or blown down by the enemy and his destructive artillery.

Cattle and other stock animals have been destroyed, or their natural reproduction has been prevented by the war. Much of this loss is a final and uncompensated one. There was no insurance on much of this property. To some of it the insurance principle had not been, and could not be, applied. Not only is civilized society devoting the greater part of its normal productive energies to the socially unproductive activities of war, but what is even worse, the machines devised by this socially unproductive labor and the energies of the people are devoted to

destroying the accumulated savings, capital goods and natural agencies of the past productive activities.

War brings a nation to the same situation that protracted illness or death brings to a frugal family. It compels a recourse to the use of saving funds from past industry. It tends towards social poverty.

Nor does insurance exercise its normally protective functions. It is well known, for example, that the standard fire insurance policy does not cover losses due to riot, civil insurrection or war. Hence, much property loss which to the individual owner would be met by the funds from the insurance organization is not covered. That is, war prevents the use of the cooperative principle in insurance. And yet there has been an extension of the insurance principle in property insurance to meet some of the risks which have arisen as a result of the war.

NEW KINDS OF INSURANCE

The most striking illustration of the rapid and yet wholly satisfactory working out of a war insurance problem is perhaps to be found in what has been done with regard to what is popularly, though not very accurately, known as bombardment insurance. Here the obstacles were great, because when our war with Germany began the law of the most important of our states from an insurance point of view, New York, actually made it impossible to write this form of insurance at all. New legislation, always hard to obtain, was necessary; and even when the New York Legislature had passed one bill authorizing bombardment insurance, it was found that this so restricted the coverage as to make it unadapted to the actual needs of property owners. Hence, still further amendment of the law was necessary, again calling for the expenditure of time and effort. Nevertheless, so skilful and rapid was the work of the fire underwriter having the matter in hand, that the signature of the Governor of New York had hardly been placed on the final amendatory act, when a new and complete war risk policy was ready for use, covering sub-

stantially all the hazards to property arising from war or its attendant conditions, *i.e.*, war, invasion, insurrection, riot, civil war, civil commotion (including strikes), military or usurped power, bombardment of all kinds, fire or explosion directly caused by any of the foregoing and explosion alone. Furthermore, a complete scheme of application of the new insurance had been worked out.

Another interesting illustration of the extension of the insurance principle is in the case of risks of property loss due to the operation and attacks by airships. In some cases this aerial insurance, both for property and lives, has been written by the government, and in some cases by the private insurance companies.

In scarcely any other field of insurance has the war had such a disruptive influence as in the case of marine insurance. Here, on account of the long practice of this branch of insurance and the accumulated data, the business was well organized and systematized. But the use of the submarine introduced a wholly new and incalculable factor in the risk. As a result, the private companies in all the leading countries so much limited their insuring of vessels and their cargoes, that the governments very generally had to assume these risks in part or in whole.

SOCIAL INSURANCE AND PENSIONS

In the field of social insurance, the war is having, or promises to have, both negative and positive effects. In the first place, it has prevented the carrying out in many countries of certain initiated systems of social insurance, such as sickness, maternity, invalidity, compensation insurance and old age pensions. A developed social conscience had come to realize the social obligation to devise systems of insurance to meet these problems, and considerable progress had been made in the leading European countries and the United States. The carrying out of these plans called for large amounts of funds from the national treasuries, but under the stress of the necessity of war to secure funds to

meet the actual war needs, there has been more or less abandonment or modification of these social insurance systems. There are, however, promised some positive effects of the war on social insurance. In no other field of human endeavor is there greater opportunity to use to the improvement of society the principle of insurance than in these various kinds of social insurance. An aroused democracy, which is promised as one effect of the war, may insist that the insurance principle be extensively used to meet these social problems, and what was granted by the ruling classes as a concession may be demanded by the masses; that is, the use by the governments of the insurance principle to meet the problems of invalidity, disability, death, old age, unemployment. In this connection the use of the insurance principle to meet the problems which in the past have been sought to be met by a pension system is important. As is well known, most of the leading nations have had what is known as a pension problem. In the early period of developing nationality, when the soldier fought for his share of the booty or for a wage, and when a social conscience was in its germ stage of development, no problem was to be found. But at a later date, when nationality had become fully developed and recognized, and when appeals were made to the patriotism of the citizen to defend his country, an obligation on the part of the nation was recognized to those who thus defended the nation and to the dependents of the soldier. There thus arose the question of a service pension, a disability pension, and a pension for dependents, and the practices with respect to granting these different pensions varied greatly in different countries. In those nations with representative forms of government, there was a tendency to be liberal in the granting of pensions, due in part to the pressure which could be brought to bear by the beneficiaries on their representatives. In the United States, in particular, the pension system has been one which has brought little credit to representative government. It has often become a political party question, and, what is worse, in its actual operation it has entailed the appropriation of enormous sums of money without securing the ends to be achieved. It has

been unjust often to the soldier and his dependents. The patriotism and gratitude of a people have often been played upon and prostituted to serve the ends of politicians. In view of the history of the pension system, especially in the United States, it is not surprising that, upon the entrance of this country into the war, there was a widespread wish that the country might be spared a repetition of this pension history.

The insurance principle offered a superior substitute, and provision was early made to meet the situation by the use of this principle. There is no reason to doubt that the plans which have been devised and which are discussed in detail at a later place in this study will meet the problem in a much more adequate manner.

INSURANCE CONTRACTS AND THE WAR

The effect of the war on insurance in its scientific aspects and in its practical conduct has been indicated in the preceding discussion. But there have been more direct effects of the war on insurance in all its branches. Insurance has shared in the great development of international trade during the past century, and at the outbreak of the war many individuals found themselves in possession of insurance policies on their lives or property which had been issued by the foreign companies of nations with which their own nation was at war. Immediately questions arose as to the validity of these contracts: Could premiums be paid to the agents of these foreign companies who were in residence in the country of the insured? Could such agents continue to transact an insurance business for the foreign company, if, as is usually the case in the United States, such foreign company was required to keep a deposit in the country where the insurance was written? Were such agents in truth the real agents of the principal now that the country of the insurer and insured were at war? These and a number of other questions arose. In other words, it was a question of the status of commercial contracts during the time of war between enemies, as well as the status of alien representatives of such companies with respect to their power to bind their principals.

International law has dealt only in an incidental way with the effect of war on commercial contracts. Such contracts are primarily a subject of national law, since an inherent character of the sovereignty of a nation is its power to determine the terms of contracts, not only among its own citizens, but also to lay down on what terms and on what conditions an alien may be permitted to contract and transact business with its citizens.¹

All the leading countries engaged in the war have taken such action against alien subjects, residing in the country, as seemed to be necessary to protect the nation. In many cases such aliens have been compelled to register. Their movements in the country and their places of residence have been restricted. In some cases they have been segregated and in many cases they have been under close surveillance. The English courts reaffirmed the old rule that alien enemies have no *locus standi* in the courts, but if such aliens are registered, they have a right to sue in the courts. The Court of Appeal in England has held that a claim can not be made by an agent for an enemy's business by reason of having received from his principal power of attorney; nor can such an agent be appointed a receiver of the business of his principal for the purpose of satisfying the creditors of his principal.

In most cases, shares of stock owned by alien enemies have not been disturbed, but dividends have been held, pending the close of the war. The general principle of the English law is that the war discontinues all commercial intercourse of British subjects and those of an enemy. All treaties, civil contracts and rights in and to property are either suspended or terminated. Since the origin of much of United States law and legal procedure is of English derivation, the same rules are largely observed in the United States with respect to contracts in time of war. The insurance of property of the enemy is therefore presumptively an illegal contract, since it is a species of trade and intercourse with the enemy. Likewise, the sending of money or funds

¹ For a discussion of this subject, see *Journal of the Society of Comparative Legislation*, vol. xv; G. G. Phillimore, *Trading with the Enemy*.

as insurance premiums to an enemy country is illegal. All commercial partnerships with the enemy terminate with the declaration of war. In the early period of the war the following general proclamation with respect to insurance was issued by England.

Not to make or enter into any new marine, life, fire or other policy or contract of insurance (including reinsurance) with or for the benefit of an enemy; nor to accept or give effect to any insurance of any risk arising under any policy or contract of insurance (including reinsurance) made or entered into, with or for the benefit of an enemy before the outbreak of war; and in particular as regards treaties or contracts of reinsurance current at the outbreak of the war to which an enemy is a party or in which an enemy is interested, not to cede to the enemy or to accept from the enemy under any such treaty or contract any risk arising under any policy or contract of insurance (including reinsurance) made or entered into after the outbreak of war or any share in any such risk.

Provided always that where an enemy has a branch locally situated in British, Allied, or neutral territory not being neutral territory in Europe, transactions by or with such branch shall not be treated as transactions by or with an enemy. But where an enemy has a branch locally situated in British, Allied, or neutral territory which carries on the business of insurance or reinsurance of whatever nature, transactions by or with such branch in respect to the business of insurance or reinsurance shall be considered as transactions by or with an enemy.¹

PUBLIC CUSTODIANS OF INSURANCE PROPERTY

Since the property value, represented by debts to enemy aliens which were continually maturing, was considerable, and since there were many other kinds of property values owned by alien enemies, it was necessary, if confiscation was not to be practiced, that some arrangements be made by the government to take care of this property of alien enemies. The usual practice has been to appoint a public custodian who has charge under the trading with enemy acts of all property of such aliens. These public custodians have, among other duties, the receiving of all payments arising out of transactions entered into before the outbreak of the war, or of such other business or contracts as are permitted. An amendment to the original trading with enemy

¹ *Manual of Emergency Legislation* (England), 19.

act in England made the Board of Trade such custodian during the war, and left the matter of the general disposition of such property to be dealt with by Orders in Council after the close of the war. The public custodian of the Board of Trade receives all dividends, interest, shares of profits and other credits of enemies. These funds are to be dealt with as the Treasury directs. Particular information as to enemy property is to be supplied by trustees of enemies and enemy property can be vested in such trustee by an order of a High Court judge.

If any funds had been paid to a bank or other financial agent or concern, such funds were required to be turned over to this public custodian, appointed by the Board of Trade. Fines and imprisonment penalties were established for a violation of this provision of the law. Such property could not be attached, but the custodian could upon order of the court pay debts out of it.

The legal status of the marine insurance business of enemy nations has occasioned the greatest difficulties. This is due in part to the fact that the marine insurance companies, especially of some of the European nations, such as England and Germany, had either original or reinsurance contracts in large numbers on the property of enemies. Then, too, ocean transportation has assumed a position of commanding importance in this war on account of the necessity of shipping food supplies and munitions of war, as well as the extensive use of the submarine and other agencies of destruction against the shipping of the enemy.

RIGHTS OF FOREIGN COMPANIES

In the United States the problem was especially difficult because of the fact that the largest part of the marine insurance business is held by foreign insurance companies and a considerable amount of it, either as direct insurance or as reinsurance, by German companies.

In the early period of the war there was an attempt to control the problem through a proclamation issued by the President.

The reasons for such a proclamation are indicated by its contents, which are as follows:

Whereas, Certain insurance companies incorporated under the laws of the German Empire have been admitted to transact the business of insurance in various states of the United States by means of separate United States branches, established pursuant to the laws of such states, and are now engaged in business under the supervision of the insurance departments thereof, with assets in the United States deposited with insurance departments, or in the hands of resident trustees, citizens of the United States; for the protection of all policyholders within the United States; and,

Whereas, The interests of the citizens of the United States in the protection afforded by such insurance are of great magnitude, so that it is deemed to be important that the agencies of such companies in the United States be permitted to continue in business; now,

Therefore, I, Woodrow Wilson, President of the United States of America, by virtue of the powers vested in me as such, hereby declare and proclaim that such branch establishments of German insurance companies, now engaged in the transaction of business in the United States, pursuant to the laws of the several states, are hereby authorized and permitted to continue the transaction of their business in accordance with the laws of such state in the same manner and to the same extent as though a state of war did not now exist.

Provided, however, that all funds of such establishments, now in the possession of their managers or agents, or which shall hereafter come into their possession, shall be subject to such rules and regulations concerning the payment and disposition thereof as shall be prescribed by the insurance supervising officials of the state in which the principal office of such establishment in the United States is located, but in no event shall any funds belonging to or held for the benefit of such companies be transmitted outside of the United States nor be used as the basis for the establishment, directly or indirectly, for any credit within or outside of the United States, to or for the benefit or use of the enemy or any of his allies without the permission of this government.

(Signed) WOODROW WILSON,
President.

Upon the issuance of this proclamation, the officials of the states in which such insurance organizations had been admitted to do business, published the conditions to govern such foreign marine insurance companies. The orders of the Superintendent of Insurance of New York, the state in which the largest amount of this insurance is transacted, show the character of this supervision.

Superintendent of Insurance Phillips of New York issued the following statement with respect to the manner in which the principles contained in the proclamation will be administered by the New York Insurance Department:

In view of the proclamation of the President, German insurance companies admitted in this state will be permitted to continue the transaction of business the same as if a state of war did not exist between this country and Germany, provided such companies meet the capital and deposit requirements of our statutes and maintain the statutory reserves.

In accordance with the proclamation, rules and regulations will be prescribed to require the managers of such companies to keep in the United States all of the assets now or which may hereafter come into their possession for the benefit of American policyholders. I am not prepared to state the precise rules and regulations which may be adopted by this department, except to say they will be sufficient to prevent any portion of the assets being used for the benefit of the enemy or any of its allies.¹

But this did not prove adequate for the situation as it developed, and the causes for the change and the second proclamation of the President are set forth as follows:²

It is a well known fact that the insurance capital of this country is inadequate for the provision of safe coverage for all the risks of various kinds requiring insurance. Indeed, in all the departments of insurance, the foreign countries, through their branches domiciled here, play a very large and probably indispensable part in supplying us with the insurance we need. Consideration of this state of things and the perception that the methods of organization and operation of American branches of foreign companies compelled by our insurance laws gives these branches the character of essentially independent insurance institutions, led President Wilson to issue a proclamation under the terms of which even the American branches of German insurance companies were permitted to carry on their underwriting just as in time of peace, provided they discontinued all business and financial relations with their Home Office.

Later, however, events led the government to believe that a distinction should be made between marine and marine war risk insurances and reinsurances, as carried or participated in by American branches of German insurance companies, and the other forms of insurance. Information was found mysteriously to reach the German government with respect to the voyages and the cargoes of ships clearing from ports of the United States; and through this information the German submarines seemed to find it easy

¹ *The Economic World*, n. s., vol. xiii, No. 15, p. 527.

² *Ibid.*, vol. xiv, No. 3, p. 93.

to intercept such vessels and to destroy them. It was charged that the data given to the American branches of German marine insurance and reinsurance companies in connection with the marine and marine war risk insurance offered to them, and curiously enough often taken by them, were not held as confidential, but were surreptitiously conveyed to the German naval authorities with the object of enabling them to plan the destruction of the ships by submarines, practically without danger to these piratical craft. There was much public talk of vessels leaving American ports and taking very unusual courses to their destinations, yet met by submarines at unexpected places in mid-ocean and destroyed. An embellishment of several of these accounts was a reported remark of the submarine commander to the master of the unfortunate merchantman, to the effect that the latter was one or more days late in reaching the scene of the *rencontre*. From such incidents as this it was deduced that the submarine commander had been given in advance precise details of the voyage of the doomed ship, such as only the owners and the master could possibly possess apart from the marine underwriters, to whom supposedly all information of this character must be given in connection with the insurance or reinsurance contract entered into by them. . . .

Positive evidence, often unobtainable, is unnecessary to warrant governmental action in cases of this kind. Hence President Wilson deemed it wise, in the interest of the country, to prohibit American branches of German insurance companies from writing marine and marine war risk insurances or reinsurances in the United States for the duration of the war. This prohibition is contained in a proclamation of the President, issued on Saturday, July 14, the text of which is as follows:

President Wilson's Proclamation

Whereas, Certain insurance companies incorporated under the laws of the German Empire have been admitted to transact the business of marine and war risk insurance in various states of the United States by means of separate state branches established pursuant to the laws of such states, and are now engaged in such business under the supervision of the insurance departments thereof, with assets in the United States deposited with insurance departments or in the hands of resident trustees, citizens of the United States, for the protection of all policyholders in the United States; and,

Whereas, The nature of marine and war risk insurance is such that those conducting it must of necessity be in touch with the movements of ships and cargoes, and it has been considered by the government of great importance that this information should not be obtained by alien enemies;

Now, therefore, I, Woodrow Wilson, President of the United States of America, by virtue of the powers vested in me as such, hereby decree and proclaim that such branch establishments of German insurance companies now engaged in the transaction of business in the United States, pursuant to the laws of the several states, are hereby prohibited from continuing the transaction of the business of marine and war risk insurance either as direct

insurers or reinsurers; and all individuals, firms and insurance companies incorporated under the laws of any of the states or territories of the United States or of any foreign country, and established pursuant to the laws of such states and now engaged in the United States in the business of marine and war risk insurance, either as direct insurers or reinsurers, are hereby prohibited from reinsuring with companies incorporated under the laws of the German Empire, no matter where located; and all persons in the United States are prohibited from insuring against marine or war risks with insurance companies incorporated under the laws of the German Empire or with individuals, firms and insurance companies incorporated under the laws of any of the states or territories of the United States or of any foreign country and now engaged in the business of marine or war risk insurance in the United States, which reinsure business originating in the United States with companies incorporated under the laws of the German Empire, no matter where located.

The foregoing prohibitions shall extend and operate as to all existing contracts for insurance and reinsurance which are hereby suspended for the period of the war, except that they shall not operate to vitiate or prevent the insurance or reinsurance of and the payment or receipt of premiums on insurance or reinsurance under existing contracts on vessels or interest at risk on the date of this proclamation, and such insurance or reinsurance, if for a voyage, shall continue in force until arrival at destination, and if for time, until thirty days from the date of this proclamation, but if for a voyage at that time, until the arrival at destination.

Nothing herein shall be construed to operate to prevent the payment or receipt of any premium or claim now due or which may become due on or in respect to insurances or reinsurances not prohibited by this proclamation.

That all funds of such German companies now in the possession of their managers or agents, or which shall hereafter come into their possession, shall be subject to such rules and regulations concerning the payment and disposition thereof as shall be prescribed by the insurance supervising officials of the state in which the principal office of such establishment in the United States is located, but in no event shall any funds belonging to or held for the benefit of such companies be transmitted outside of the United States, nor be used as the basis for the establishment, directly or indirectly, of any credit within or outside of the United States to or for the benefit or use of the enemy or any of his allies without the permission of this government.

In witness whereof, I have hereunto set my hand and caused the seal of the United States to be affixed.

Done at the District of Columbia this 13th day of July, in the year of our Lord one thousand nine hundred and seventeen and of the independence of the United States the one hundred and forty-second.

WOODROW WILSON.

TRADING WITH THE ENEMY ACTS AND INSURANCE

The whole matter in all the leading nations at war was later and fully covered in the various "trading with the enemy" acts which were passed.

In the Trading with the Enemy Act of the United States, a special case is made of insurance companies whose owners are citizens of Germany or her allies, in that the property of the United States branches of these companies does not have to be turned over to the Alien Property Custodian, to be administered by him in accordance with the intent of the law. Under a licensing system these companies may continue their business in the United States, though of course without the right to transmit funds or to continue business intercourse with their home offices. Moreover, enemy insurance companies are wholly forbidden to write policies of marine or war risk insurance. The text of that part of the act, Section 4 (a), is as follows:

SECTION 4 (a). Every enemy or ally of enemy insurance or reinsurance company, and every other enemy or ally of enemy, doing business within the United States through an agency or branch office, or otherwise, may, within thirty days after the passage of this act, apply to the President for a license to continue to do business; and, within thirty days after such application, the President may enter an order either granting or refusing to grant such license. The license, if granted, may be temporary or otherwise and for such period of time and may contain such provisions and conditions regulating the business, agencies, managers and trustees and the control and disposition of the funds of the company or of such enemy or ally of enemy as the President shall deem necessary for the safety of the United States, and any license granted hereunder may be revoked or regranted or renewed in such manner and at such times as the President shall determine.

Provided, however, that reasonable notice of his intent to refuse to grant a license or to revoke a license granted to any reinsurance company shall be given by him to all insurance companies incorporated within the United States and known to the President to be doing business with such reinsurance company.

Provided, further, that no insurance company, organized within the United States, shall be obliged to continue any existing contract or treaty, entered into prior to the beginning of the war, with any enemy or ally of enemy insurance or reinsurance company, but any such company may abrogate and cancel any such contract or treaty by serving thirty days' notice in writing upon the President of its election to abrogate such contract or treaty.

For a period of thirty days after the passage of this act and further pending the entry of such order by the President after application made by any enemy or ally of enemy insurance or reinsurance company, within such thirty days as above provided, the provisions of the President's proclamation of April sixth, nineteen hundred and seventeen, relative to agencies in the United States of certain insurance companies, as modified by the provisions of the President's proclamation of July thirteenth, nineteen hundred and seventeen, relative to marine and war risk insurance, shall remain in full force and effect so far as it applies to such German insurance companies, and the conditions of said proclamation of April sixth, nineteen hundred and seventeen, as modified by said proclamation of July thirteenth, nineteen hundred and seventeen, shall also during said period of thirty days after the passage of this act, and pending the order of the President as herein provided, apply to any enemy or ally of enemy insurance or reinsurance company, anything in this act to the contrary notwithstanding.

It shall be unlawful for any enemy or ally of enemy insurance or reinsurance company to whom license is granted to transmit out of the United States any funds belonging to or held for the benefit of such company, or to use any funds as the basis for establishment directly or indirectly of any credit within or outside of the United States to, or for the benefit of, or on account of, an enemy or ally of enemy.

For a period of thirty days after the passage of this act and further pending the entry of such order by the President after application made within such thirty days by any enemy or ally of enemy, other than an insurance or reinsurance company, as above provided, it shall be lawful for such enemy or ally of enemy to continue to do business in this country and for any person to trade with, to, from, for, on account of, on behalf of or for the benefit of such enemy or ally of enemy, anything in this act to the contrary notwithstanding: *Provided, however,* that the provisions of sections three and fifteen hereof shall apply to any act or attempted act of transmission or transfer of money or other property out of the United States, and to the use or attempted use of such money or property as the basis for the establishment of any credit within or outside of the United States to or for the benefit of, or on behalf of, or on account of, an enemy or ally of enemy.

If no license is applied for within thirty days after the passage of this act, or if a license shall be refused to any enemy or ally of enemy, whether insurance or reinsurance company, or other person, making application, or if any license granted shall be revoked by the President, the provisions of sections three and fifteen hereof shall forthwith apply to all trade or attempt to trade with, to, from, for, by, on account of, or on behalf of or for the benefit of such company or other persons:

Provided, however, that after such refusal or revocation, anything in this act to the contrary notwithstanding, it shall be lawful for a policyholder or for an insurance company, not an enemy or ally of enemy, holding insurance or having effected reinsurance in or with such enemy or ally of enemy insurance or reinsurance company to receive payment of, and for such enemy or ally of enemy insurance or reinsurance company to pay, any premium, return premium, claim, money, security or other property due or which may

become due on or in respect to such insurance or reinsurance in force at the date of such refusal or revocation of license; and nothing in this act shall vitiate or nullify then existing policies or contracts of insurance or reinsurance, or the conditions thereof; and any such policyholder or insurance company, not an enemy or ally of enemy, having any claim to or upon money or other property of the enemy or ally of enemy insurance or reinsurance company in the custody or control of the alien property custodian or of the Treasurer of the United States, may make application for the payment thereof and may institute suit as provided in section nine hereof.

(b) That during the present war no enemy, or ally of enemy, and no partnership of which he is a member or was a member at the beginning of the war, shall for any purpose assume or use any name other than that by which such enemy or partnership was ordinarily known at the beginning of the war, except under license from the President.

Whenever during the present war in the opinion of the President the public safety or public interest requires, the President may prohibit any or all foreign insurance companies from doing business in the United States, or the President may license such company or companies to do business upon such terms as he may deem proper.

REGULATIONS IN ENGLAND

In England the regulation of insurance in enemy nation companies early became a matter of control through proclamations and trading with the enemy acts, which have been extended with the progress of the war and the development of new conditions. The business of the home companies with respect to the insuring of enemy property was also regulated.

The insurance by a British subject of the property of an enemy against capture at sea by the British navy was made illegal whether the contract was made before or after the war. Likewise, the insurance by a British subject of an alien enemy's private property on land, even if effected before the outbreak of the war, was dissolved, at all events if the loss took place in a mode recognized in international law, that is, in the course of a military offensive, or if it was due to acts, performed on the grounds of military necessity. In practically all other cases when insurance was effected before the outbreak of the war, the policy remained in force and was valid, although it could not be sued upon during the duration of the war.¹

¹ *The Law of Contract During War*, William F. Trotter.

But the English Trading with the Enemy Act warned persons not to enter into an insurance contract with or for the benefit of an enemy during the war nor to give effect to such insurance made before the war.¹

COURT DECISIONS ON STATUS OF WAR INSURANCE CONTRACTS

No large number of cases has come before the courts of the various nations for adjudication under the circumstances previously discussed, and which these laws seek to govern. Doubtless the present war will result in many such cases being presented to the courts.

However, in order that the purely judicial aspect of the subject may be presented, the following abstract and adaptation of insurance cases and closely related ones is given:²

American Cases

(1) *Every species of intercourse with the enemy is illegal. The prohibition is not limited to mere commercial intercourse.*

Johnson, J., in *The Rapid* (1814) (8 Cranch, 155, 162, 163):

Whether this was a trading in the eye of the prize law such as will subject the property to capture.

The force of the argument on this point depends upon the terms made use of. If by *trading* in prize law was meant that signification of the term which consists in negotiation or contract, this case would certainly not come under the penalties of the rule. But the object, policy and spirit of the rule is to cut off all communication or actual locomotive intercourse between individuals of the belligerent states. Negotiation or contract has therefore no necessary connection with the offense. *Intercourse* inconsistent with actual *hostility* is the offense against which the operation of the rule is directed, and by substituting this definition for that of *trading with an enemy* an answer is given to this argument.

The Julia (1814) (8 Cranch, 181, 193, 194, 195):

¹ *Manual of Emergency Legislation*, 1914 (England).

² *Memorandum of American Cases and Recent English Cases on the Law of Trading with Enemy*, Charles Warren, former Assistant Attorney General of the United States.

Nor is there any difference between direct intercourse between the enemy countries and an intercourse through the medium of a neutral port. The latter is as strictly prohibited as the former.

See also Story, J., in *The Julia* (1813) (1 Gallison, 594, 602, 603):

... It would seem a necessary result of a state of war to suspend all negotiations and intercourse between the subjects of the belligerent nations. By the war every subject is placed in hostility to the adverse party. He is bound by every effort of his own to assist his own government and to counteract the measures of its enemy. Every aid, therefore, by personal communication or by other intercourse which shall take off the pressure of the war or foster the resources or increase the comforts of the public enemy, is strictly inhibited. No contract is considered as valid between enemies, at least so far as to give them a remedy in the courts of either government, and they have, in the language of the civil law, no ability to sustain a *persona standi in judicio*. The ground upon which a trading with the enemy is prohibited is not the criminal intentions of the parties engaged in it or in the direct and immediate injury to the state. The principle is extracted for a more enlarged policy, which looks to the general interests of the nation, which may be sacrificed under the temptation of unlimited intercourse or sold by the cupidity of corrupted avarice.

See also *The St. Lawrence* (1814) (8 Cranch, 434); *The Alexander* (1814) (8 Cranch, 169); *The Rugen* (1816) (1 Wheaton, 62); *United States v. Barber* (1815) (9 Cranch, 243); *United States v. Sheldon* (1817) (2 Wheaton, 119).

Story, J., in *The Liverpool Packet* (1813) (1 Gallison, 512, 521, 522):

I look back upon that decision [*The Julia*] without regret, and after much subsequent reflection can not doubt that it has a perfect foundation in the principles of public law. To the many authorities there stated I might have added the pointed language of Sir W. Scott, in the *Jonge Pieter* (4 Rob., 79), that "without the license of the government no communication, direct or indirect, can be carried on with the enemy," and the rule strongly illustrative of the principle, which is acknowledged as early as the year-books and has received sanction down to the present times, that every contract and engagement made with the enemy pending war is utterly void.

The Lord Wellington (1814) (2 Gallison, 102).

The case of *United States v. Barker* (1820, Cir. Ct. N.Y.)

(1 Paine, 156), constitutes a departure from the general rule.

The rigid rule was reaffirmed in *Scholefield v. Eichelberger* (1883) (7 Pet., 586, 593):

The doctrine is not at this day to be questioned, that during a state of hostility the citizens of the hostile states are incapable of contracting with each other. For near twenty years this has been acknowledged as the settled doctrine of this court, and in a case which proves it to be a rule of very general and rigid application (*The Rapid*) . . . The question has never yet been examined whether a contract for necessities, or even for money to enable the individual to get home, would not be enforced, and analogies familiar to the law as well as the influence of the general rule in international law, that the severities of war are to be diminished by all safe and practical means, might be appealed to in support of such an exception. But at present it may be safely affirmed that there is no recognized exception but permission of a state to its own citizen, which is also implied in any treaty stipulation to that effect entered into by the belligerents.

The Jecker v. Montgomery (1855) (18 How., 110, 112, 119):

The consequence of this state of hostility is that all intercourse and communication between them is unlawful. . . .

We have seen, by the authorities cited, that *intercourse with the enemy is sufficient cause for personal punishment and for the confiscation of property; that it is a cause originating in and inflexibly enforced by necessity for guarding the public safety.*

(2) *All persons doing business with the enemy, whether citizens of the United States or citizens of the other belligerent nation or neutrals, are as to their property to be deemed enemies.*

Prize Cases (1862) (2 Black, 674):

But in defining the meaning of the term "enemies' property," we will be led into error if we refer to Fleta and Lord Coke for their definition of the word "enemy." It is a technical phrase peculiar to prize courts, and depends upon principles of public policy as distinguished from the common law.

Whether property be liable to capture as "enemies' property" does not in any manner depend on the personal allegiance of the owner. "It is the illegal traffic that stamps it 'as enemies' property.' It is of no consequence whether it belongs to an ally or a citizen. (8 Cranch, 384.) The owner, *pro hac vice*, is an enemy." (3 Wash. C.C.R., 183.)

The produce of the soil of the hostile territory, as well as other property engaged in the commerce of the hostile power, as the source of its wealth and strength, are always regarded as legitimate prize, without regard to the domicile of the owner, and much more so if he reside and trade within their territory.

The Flying Scud (1867) (6 Wall., 263, 266) :

Although they are Mexican citizens, yet, being established in business in the enemies' country, must be regarded according to settled principles of prize law as enemies, and their cotton as enemies' property.

See *Juragua Iron Co. v. United States* (1909) (212 U.S., 297, 305, 306) :

Cuba, being a part of Spain, was enemy's country, and all persons, whatever their nationality, who resided there were, pending such war, to be deemed enemies of the United States and of all its people. The plaintiff, though an American corporation, doing business in Cuba, was, during the war with Spain, to be deemed an enemy to the United States with respect to its property found and then used in that country, and such property could be regarded as enemy's property, liable to be seized and confiscated by the United States in the progress of the war then being prosecuted.

So in *Young v. United States* (1877) (97 U.S., 39, 60) :

All property within enemy territory is in law enemy property just as all persons in the same territory are enemies.

30 *Hogsheads of Sugar v. Boyle* (1815) (9 Cranch, 191).

The Sarah Starr (1861) (Blatchford's Prize Cases, 74, 76) :

. . . Loyal citizens or neutrals who . . . have a mercantile domicile in an enemy country are regarded in the prize courts in their commercial dealings and transactions there as enemies in relation to vessels and cargoes owned by them and captured at sea. . . .

The American authorities are equally explicit that a neutral, even enjoying the privilege of consul, domiciled and trading in a belligerent country, is, in war, deemed a belligerent, and his acts are clothed with the character of one of its subjects; and he can neither hold title to property acquired in such country during war, nor confer it upon other, against the interests imparted, by capture at sea, to adversary belligerents.

The Mary Clinton (1863) (Blatchford's Prize Cases, 560).

See also *The Venus* (1814) (8 Cranch, 253); *The Vowles* (1814) (*ibid.*, 348); *The Francis* (1814) (*ibid.*, 351); *Livingston v. Maryland Ins. Co.* (1813) (7 Cranch, 542); *United States v. Guillem* (1859) (11 How., 50); *The William Bagaley* (1866) (5 Wall., 377); *Miller v. United States* (1870) (11 Wall., 268).

(3) *In general, during war, contracts with, or powers of attorney or agency from, the enemy executed after outbreak of war are illegal and void; contracts entered into with the enemy prior to the war are either suspended or are absolutely terminated; partnerships with an enemy are dissolved; powers of attorney from the enemy, with certain exceptions, lapse; payments to the enemy (except to agents in the United States appointed prior to the war and confirmed since the war) are illegal and void; all rights of an enemy to sue in the courts are suspended.*

The William Bagaley (1866) (5 Wall., 377, 405, 407):

Public war duly declared or recognized as such by the lawmaking power, imports a prohibition by the sovereign to the subjects or citizens of all commercial intercourse and correspondence with citizens or persons domiciled in the enemy country.

Hanger v. Abbott (1867) (6 Wall., 532, 535):

War, when duly declared or recognized as such by the war-making power, imports a prohibition to the subjects or citizens of all commercial intercourse and correspondence with citizens or persons domiciled in the enemy country. Upon this principle of public law it is the established rule in all commercial nations that trading with the enemy, except under a government license, subjects the property to confiscation or to capture and condemnation.

Partnership with a foreigner is dissolved by the same event which makes him an alien enemy. . . . Direct consequence of the rule as established in those cases is that as soon as war is commenced all trading, negotiation, communication and intercourse between the citizens of one of the belligerents with those of the other without the permission of the government is unlawful. No valid contract, therefore, can be made, nor can any promise arise by implication of law, from any transaction with an enemy. Exceptions to the rule are not admitted; and even after the war has terminated the defendant, in an action founded upon a contract made in violation of that prohibition, may set up the illegality of the transaction as a defense. Various attempts, says Mr. Wheaton, have been made to evade the operation of the rule and to escape its penalties, but they have all been defeated by its inflexible rigor.

Coppell v. Hall (1868) (7 Wall., 542, 554, 556, 558):

When international wars exist all commerce between the countries of the belligerents, unless permitted, is contrary to public policy, and all contracts growing out of such commerce are illegal. Such wars are regarded not as

wars of the governments only, but of all the inhabitants of their respective countries. The sovereign may license trade, but in so far as it is done it is a suspension of war and a return to the condition of peace. It is said there can not be, at the same time, war for arms and peace for commerce. The sanction of the sovereign is indispensable for trade. A state of war *ipso facto* forbids it. The government only can relax the rigor of the rule. . . .

The payment of money by a subject of one of the belligerents, in the country of another, is condemned, and all contracts and securities looking to that end are illegal and void. . . .

In *Griswold v. Waddington* (16 Johnson, 459, 460), Kent, C. J., said: "The law had put the sting of disability into every kind of voluntary communication and contract with an enemy which is made without the special permission of the government. There is wisdom and policy, patriotism and safety in this principle, and every relaxation of it tends to corrupt the allegiance of the subject and to prolong the calamities of war."

Miller v. United States (1870) (11 Wall., 268, 305, 306):

It is immaterial to it whether the owner be an alien or a friend, or even a citizen or subject of the power that attempts to appropriate the property. In either case the property may be liable to confiscation under the rules of war. It is certainly enough to warrant the exercise of this belligerent right that the owner be a resident of the enemy's country, no matter what his nationality. The whole doctrine of confiscation is built upon the foundation that it is an instrument of coercion, which, by depriving an enemy of property within reach of his power, whether within his territory or without it, impairs his ability to resist the confiscating government, while at the same time it furnishes to that government means for carrying on the war. Hence any property which the enemy can use, either by actual appropriation or by the exercise of control over its owner, or which the adherents of the enemy have the power of devoting to the enemy's use, is a proper subject of confiscation.

United States v. Lapene (1873) (17 Wall., 601, 602):

All commercial contracts with the subjects or in the territory of the enemy, whether made directly by one in person or indirectly through an agent who is neutral, are illegal and void. . . . No property passes and no rights are acquired under such contracts.

And see also *Mrs. Alexander's Cotton* (1864) (2 Wall., 404); *The Ouachita Cotton* (1867) (1 Wall., 521); *United States v. Lane* (1868) (8 Wall., 185, 195); *Dean v. Nelson* (1869)

(10 Wall., 158); *Lasere v. Rochereau* (1873) (17 Wall., 437); *Day v. Micou* (1873) (18 Wall., 156); *Mitchell v. United States* (1874) (21 Wall., 350); *Fretz v. Stover* (1874) (22 Wall., 198); *Mathews v. McStea* (1870) (91 U.S., 7, 9, 10); *Desmare v. United States* (1876) (93 U.S., 605, 612); *Pike v. Wassell* (1876) (94 U.S., 711); *Conrad v. Waples* (1877) (96 U.S., 279, 286); *Burbank v. Conrad* (1877) (96 U.S., 291); *United States v. Pacific R.R.* (1887) (120 U.S., 227, 233); *Briggs v. United States* (1892) (143 U.S., 346, 353); *Nelson, J.*, dissenting in *Prize Cases* (1862) (2 Black, 635, 687).

See also *Kershaw v. Kelsey* (1868) (100 Mass., 561, 672).

(4) *Effect of war on contracts previously entered into with the enemy.*

Hanger v. Abbott (1867) (6 Wall., 532, 536):

Executory contracts also with an alien enemy, or even with a neutral, if they can not be performed except in the way of commercial intercourse with the enemy, are dissolved by the declaration of war, which operates for that purpose with a force equivalent to an act of Congress.

In former times the right to confiscate debts was admitted as an acknowledged doctrine of the law of nations, and in strictness it may still be said to exist, but it may well be considered as a naked and impolitic right, condemned by the enlightened conscience and judgment of modern times. Better opinion is that executed contracts, such as the debt in this case, although existing prior to the war, are not annulled or extinguished, but the remedy is only suspended, which is a necessary conclusion, on account of the inability of an alien enemy to sue or to sustain, in the language of the civilians, *a persona standi in judicio*.

What contracts are merely suspended and what are terminated by a state of war is considered in *New York Ins. Co. v. Statham* (1876) (93 U.S., 24, 31, 32, 33, 35):

The case, therefore, is one in which time is material and of the essence of the contract. . . .

But the court below bases its decision on the assumption that, when performance of the condition becomes illegal in consequence of the prevalence of public war, it is excused, and forfeiture does not ensue. It supposes the contract to have been suspended during the war, and to have revived with all its force when the war ended. Such a suspension and revival do take

place in the case of ordinary debts. But have they ever been known to take place in the case of executory contracts in which time is material? . . .

The truth is that the doctrine of the revival of contracts suspended during the war is one based on considerations of equity and justice, and can not be invoked to revive a contract which it would be unjust or inequitable to revive.

In the case of life insurance, besides the materiality of time in the performance of the contract, another strong reason exists why the policy should not be revived. The parties do not stand on equal ground in reference to such a revival. It would operate most unjustly against the company. . . .

We are of opinion, therefore, that an action can not be maintained for the amount assured on a policy of life insurance forfeited, like those in question, by nonpayment of the premium, even though the payment was prevented by the existence of the war. . . .

. . . Failure being caused by a public war, without the fault of the assured, they are entitled *ex aequito et bono* to recover the equitable value of the policies with interest from the close of the war.

The William Bagaley (1866) (5 Wall., 377, 407):

. . . Executory contracts with an alien enemy, or even with a neutral, if they can not be performed except in the way of commercial intercourse with the enemy, are *ipso facto* dissolved by the declaration of war, which operates to that end and for that purpose with a force equivalent to that of an act of Congress.

See also *Gates v. Goodloe* (1879) (101 U.S., 612, 619-621); *Lamar v. Micou* (1884) (112 U.S., 452, 464); *United States v. Dietrich* (1908) (126 Fed., 671, 674).

See also *Griswold v. Waddington* (1819) (10 Johns, 438); *Abell v. Insurance Co.* (1881) (18 W. Va., 406, 438); *Moore's Digest of International Law*, vol. x, p. 244.

(5) *As to the effect of war on payment of interest.*

See Trotter on Contract During War, p. 49; Supplement, p. 61.

See also *Brown v. Hiatts* (1872) (15 Wall., 177, 185); *Hoare v. Allen* (1789) (2 Dallas, 102); *Foxcroft v. Nagle* (1791) (2 Dallas, 182); *Conn. v. Penn.* (1818) (1 Peters C. C., 496, 524); *Ward v. Smith* (1868) (7 Wall., 447, 452); *Moore, Dig. Int. Law*, vol. vii, p. 252.

(6) *As to the effect of war on payment to agents of the enemy, and upon appointment of agents, and upon acts performed under power of attorney granted by the enemy prior to war.*

Conn. v. Penn. (1818, Cir. Ct. Penn.) (1 Peters, 496, 527, 528); United States v. Grossmeyer (1869) (9 Wall., 72, 73); Ward v. Smith (1868) (7 Wall., 447); University v. Finch (1873) (18 Wall., 106); Insurance Co. v. Davis (1877) (95 U.S., 425, 429); Williams v. Paine (1897) (169 U.S., 55, 70, 71).

(7) *As to the power to sue in the courts.*

See Hanger v. Abbott (1867) (6 Wall., 532, 536, 542); Caperton v. Bowyer (1871) (14 Wall., 216, 236); Masterson v. Howard (1873) (18 Wall., 99, 105).

An alien enemy may be sued in the courts of the United States, though he has no right to sue. McVeigh v. United States (1870) (11 Wall., 259); University v. Finch (1873) (18 Wall., 106, 111).

(8) *As to power of the government to license trade with the enemy.*

See especially United States v. Lane (1868) (8 Wall., 185, 195); Hamilton v. Dillin (1874) (21 Wall., 73, 97):

. . . The power of the government to impose such conditions upon commercial intercourse with an enemy in time of war as it sees fit is undoubted. It is a power which every other government in the world claims and exercises and which belongs to the Government of the United States as incident to the power to declare war and to carry it to a successful termination.

(9) *As to effect of war on statutes of limitation.*

See Stewart v. Kahn (1870) (11 Wall., 493); United States v. Wiley (1870) (11 Wall., 508); *The Protector* (1869) (9 Wall., 687); Hanger v. Abbott (1867) (6 Wall., 532).

(10) *As to rights of alien enemies resident in the United States.*

See *Clarke v. Morey* (1813) (10 Johns, 69); *Seymour v. Bailey* (1872) (66 Ill., 288); *Princess v. Moffett* (1914) W.N., 379; *Volkil v. Governors* (1914) (2 I.R., 542); *Forrestier v. Bordman* (1839) (1 Story, 43); *Hallet v. Jenks* (1805) (3 Cranch, 210); *Brown v. United States* (1814) (8 Cranch, 210); *Case of Fries* (1799) (9 Fed. Cases No. 5126, pp. 830-832); *Lockington v. Smith* (1819) (1 Peters Cir. Ct., 466, 472); *in re Lockington*, Brightly, N. Dak. (Pa.), 269; Revised Statutes, Sections 4067-4070; President's Proclamation of April 6, 1917, as to alien enemies.

English Cases during the Present European War

A. *How far under the English law English corporations controlled by German stockholders are to be regarded as enemy.*

Amorduct Manufacturing Co. v. Debries & Co. (84 L.J. (K.B.), 586; 112 L.T., 131; 31 T.L.R., 69; 59 S.J., 91); *Rubber Co. v. Daimler Co.* (C.A. (1915) 1 K.B., 893; 84 L.J. (K.B.), 926; 20 Com. Cas., 209; (1915) W.N., 44; 59 S.J., 232); *Daimler Co. v. The Continental Tire & Rubber Co.* (H.L. (E.), (1916) 2 A.C., 307; 85 L.J. (K.B.), 1333; 114 L.T., 1049; (1916) W.N., 269; 22 Com. Cas., 32; 32 T.L.R., 624; 60 S.J., 602); *in re Hilches ex parte Muhesa Rubber Plantations (Ltd.)* (C.A. (1917) 1 K.B., 48; 86 L.J. (K.B.), 204; (1916) H.B.R., 160; 115 L.T., 490; 33 T.L.R., 28). See also *Société Anonyme Belge des Mines d'Alijustrel v. Anglo-Belgian Agency* (July 30, 1915) (31 T.L.R., 624).

B. *What constitutes trading with the enemy?*

Moss v. Donohoe (J.C. 32 T.L.R., 343). It is trading with the enemy to order from an American company with a branch in Rotterdam gin which the defendant knew was sent by such branch to Hamburg, Germany, for bottling.

The Panariellos (85 L.J. (P.), 112; 114 L.T., 670; 32 T.L.R., 459; 60 S.J., 427). A British subject dispatched goods after the outbreak of war and with knowledge of it from a foreign

port for delivery as directed by an enemy firm and for their benefit.

Held, that this constituted trading with the enemy and the goods were forfeit.

Stephen M. Weld & Co. v. Fruhling Goshen (1916) (W.N., 187; 32 T.L.R., 469). The plaintiffs were partners in a German firm and a draft for a part of the profits of the German firm was drawn and accepted before war began by the defendants. The draft was paid over to the plaintiffs, an American firm, after war was declared and the defendants refused payment.

Judgment for the defendants, it being a transfer on behalf of an enemy.

In re Aramayo Francke Mines (Ltd.) (C.A. (1917) 1 Ch., 451; 86 L.J. (Ch.), 225; 116 L.T., 54; (1917) W.N., 36; 33 T.L.R., 176). When a corporation incorporated in England and doing business in Bolivia for the benefit of the Allies attempts, in order to avoid taxes, to transfer the assets to a corporation incorporated in Switzerland, the court held that an order should be made appointing a controller under the Trading with the Enemy Act to prohibit that action.

C. What constitutes trading for the benefit of the enemy?

Rex v. Kupfer (1915) (2 K.B., 321). Kupfer in England made payments to an English bank to be transmitted to a Dutch house to which it was proved Kupfer had been indebted before the war.

Held, this was a payment for the benefit of the enemy.

D. Trading with branches of enemy concerns in Allied territory.

Wolfe v. Carr, Parker & Co. (April 29, 1915) (31 T.L.R., 407).

E. Contracts of insurance.

W. L. Ingle v. Mannheim Insurance Co. (1915) (1 K.B.,

227; 84 L.J. (K.B.), 491; 112 L.T., 510). A suit may be maintained against a branch of an alien enemy insurance company situated in England on a policy issued before the war. The loss occurred subsequently and a claim to recover such a loss is not a "transaction with the enemy."

F. Appointment of a custodian and distribution of the assets and details of administration under the peculiar provisions of the English Trading with the Enemy Act.

Stevenson & Sons (Ltd.) v. Aktiengesellschaft (C.A. 115 L.T., 594; 33 T.L.R., 84; C.A. (1917) 1 K.B., 842; 32 T.L.R., 84; 61 S.J., 146). The plaintiffs, an English company, were, at the outbreak of the war between England and Germany, sole agents in England for the defendants, a German company. There was also a partnership relation between the two.

Held, that both agency and partnership were terminated at the outbreak of war, and that the determination as to what should be done with that portion of the plaintiff's assets which should belong to the German partners was one for Parliament to determine.

On appeal, *held*, that lower court was right in regard to the agency and partnership and that the enemy partner was entitled to a share of the profits made after the dissolution by the English corporation carrying on the business with the aid of the enemy partners' capital.

In re Kastner & Co., Auto-Piano Co. v. Kastner & Co. (1917) (1 Ch., 390; 86 L.J. (Ch.), 235; 116 L.T., 62; (1917) W.N., 15; 33 T.L.R., 149). *Schmidt v. Van der Veen & Co.* (84 L.J. (K.B.), 861; 112 L.T., 991; 31 T.L.R., 214). *In re W. Hagelberg Aktiengesellschaft* (1916), 2 Ch., 503; (1916) W.N., 335. *In re Fried Krupp Atkien-Gesellschaft*, (1916) 2 Ch., 194; 114 L.T., 1026; (1916) W.N., 234; 32 T.L.R., 553; (1917) W.N., 171.

(a) *Right of a custodian of a corporation to vote the shares.*

In re R. Pharaon et Fils, C.A.; (1916) 1 Ch., 1; 85 L.J.

(Ch.), 68; (1915) H.B.R., 232; 113 L.T., 1138; (1915) W.N., 340; 32 T.L.R., 47.

A custodian in whom are vested shares in an English company, formerly belonging to an enemy, may vote the shares as if he was himself the stockholder.

(b) *Right of alien enemy to vote his shares.*

Robson v. Premier Oil & Pipe Line Co., C.A. (1915), 2 Ch., 124; 84 L.J. (Ch.), 629; 118 L.T., 523.

G. During a state of war an alien enemy may not vote shares held in English company, but right of voting is suspended until after war.

(a) *Right of alien enemy to sue and be sued.*

Mercedes Daimler Motor Co. v. Maudsley Motor Co. (32 R.P.C., 149; (1915) W.N., 54; 31 T.L.R., 178).

Two companies sued as co-plaintiffs for patent infringement. Agreement between them provided British company had sole right to sue for infringement and could join alien enemy as co-plaintiff on certain notice.

Held, will of the alien enemy not relevant, and British company had right to sue alone.

Turn & Taxis v. Moffett (1915) (1 Ch., 58; 84 L. J. (Ch.), 220; 112 L.T., 114).

An alien enemy's wife residing and duly registered in England may sue upon her individual rights.

Halsey et al. v. Lowenfield (1915) (W.N., 400; 32 T.L.R., 1).

Held, that an action might be brought against an alien enemy on a lease for rent occurring after commencement of war.

Vokl v. Governors (1914) (2 L.R., 543); Porter v. Friendenberg et al., C.A. (1915) (1 K.B., 857; 84 L.J. (K.B.), 1001; 20 Com. Cas., 189).

Alien enemy can not sue unless within the realm of license of the King. He may be sued in the King's courts.

J. B. Rombach Baden Clock Co. v. Gent & Son (84 L.J. (K.B.), 1558; 31 T.L.R., 492).

On dissolution of a partnership in England between a naturalized British subject and alien enemies, the former being appointed receiver, it was held the latter could sue for partnership debts which defendants could not withhold as payments to the enemy. *Ex parte Boussmacher* (1806) (13 Ves., 71), and *Mercedes Daimler Motor Co. v. Mandslay Motor Co.* (1915) (31 T.L.R.) followed.

(b) *Stay of suit due to outbreak of war.*

Robinson & Co. v. Mannheim Continental Insurance Co. (1915) (1 K.B., 155; 84 L.J. (K.B.), 238; 20 Com. Cas., 125); *in re Mary, Duchess of Sutherland, et al. v. Burna et al.* (C.A., 31 L.T.R., 394). Commencement of war does not give right to have action stayed when brought before by British plaintiffs against a German insurance company.

H. *Agency.*

Tingley v. Muller (C.A. (1917), W.N., 180; 116 L.T., 482; 33 T.L.R., 369; 61 S.J., 478). A contract for the sale of land was entered into between an English purchaser and a German resident in England and a deposit paid. The vendor left for Germany, becoming an alien enemy, but left a power of attorney in an English solicitor to complete the sale. *Held*, that the power of attorney was not revoked by the vendor becoming an alien enemy.

Maxwell v. Grunhert (C.A., 31; T.L.R., 79). An agent in England of an alien enemy principal is not entitled to bring an action for a decree that he is entitled to called debts and for appointment of a receiver.

I. *Goods, wares and merchandise.*

King v. Oppenheimer (1915) (2 K.B., 755). *Held*, that certain transfers made from lithograph stones in Germany were goods, wares and merchandise.

J. *Enemy property.*

In re Bankfur Handel & Co. (1915) (1 Ch., 848; 84 L.J.

(Ch.), 435; 113 L.T., 228). A debtor to an alien enemy is not a person who holds or manages for or on behalf of an enemy any property.

K. *Contracts of Allied subjects.*

Kreglinger & Co. v. Cohen & Co. (21 T.L.R., 592); Wolf & Sons v. Carr et al. (C.A. (1915), W.N., 195; 31 T.L.R., 407). *Held*, that plaintiffs, Allied subjects, could not sue for breach of contract made before the war with persons who became alien enemies at outbreak of war and repudiated such contracts, as same became illegal at outbreak of war.

Germany and the other nations at war have enacted similar trading with enemy acts which regulate the business of insurance between their subjects and enemies. Under the law of August 4, 1914, the Federal Council of Germany passed an ordinance under date of September 4, 1914, which regulated foreign business undertakings. The business of enemy insurance companies and banks passed under the control of supervisors, appointed by the government. The money received or due such companies was not permitted to be sent out of the country, but was deposited to the credit of the concern in the Reichsbank. But the property and other private rights of foreign companies was not to be affected under the law.

It will be observed that the legislation or regulation by other means which in the leading nations at war was at first adopted, was very liberal, but that in most countries with the development of events there has come to be adopted more stringent regulations. What future events may bring is uncertain, but so far it is to be noted that there has been no extensive movement or tendency to confiscate the property of the enemy. It is yet assumed that in the event of dire necessity under which enemy property would be taken, compensation will be made. To what extent this tendency may be credited to a desire to observe the principles of justice as they have found or sought expression in international law, and to what extent to the fact that each

of the great warring nations has large amounts of property under the jurisdiction of the enemy, it is impossible to state. It may well be that confiscation of English property in Germany, or of German property in England, would not bring to either party so much real gain as an observance of the property rights of enemies.

MORATORIA AND INSURANCE

Another general effect which the war has had on insurance is the actual or proposed application of the moratoria principles to the business.

This has taken two forms: first, the enactment of legislation which prevented the lapsing of the policy in the event the premium was not paid as promptly as was required in the terms of the contract. This practice is sufficiently indicated by a description of the method which was followed in France.

In France, as in all the belligerent countries of Europe, the outbreak of the war was speedily followed by moratoria of a more or less sweeping kind. The primary object of these moratoria was, of course, to protect citizens called *en masse* to the colors, and their families, from immediate ruin or acute distress occasioned by their inability under the circumstances to meet promptly their debts, contractual payments like rents, and morally or financially compulsive obligations like life insurance premiums. The French authorities perceived that the application of the moratorium can not properly be one-sided, *i.e.*, can not without working serious harms be confined to one set of persons obligated to make payments to another set of persons or institution, but must be extended to cover in part at least the payments due from the second set to the first or to still other parties.

In the matter of the moratorium for insurance the French Government took great pains to protect as far as possible the interests of the insurers as well as those of the insured. In the earlier period of the war, virtually all classes of insurance institutions were granted either complete or partial moratoria, as the case might require. Later, as the outstanding prewar business of the indemnity insurance companies—fire, marine, accident, liability, etc.—was gradually worked off, the privilege of the moratorium with respect to payments due from them on losses incurred in the parts of France not occupied by the enemy, was withdrawn. For the life insurance companies, however, and for the somewhat similarly placed thrift, savings and building and loan associations, the moratorium is still in partial effect as regards payments due from them to their policyholders (or the beneficiaries of policyholders) and members.

The present status of the moratorium for insurance companies and for the capitalization or savings associations just referred to, is shown by a note in a recent issue of the French insurance journal, *L'Argus*, giving the facts as to new prolongment of the moratorium period for ninety days from August 28, 1917. This note is as follows:

By a decree of August 28, 1917, the moratorium granted for the payments of amounts owed by French insurance companies, capitalization societies (thrift associations) and savings associations has been extended an additional ninety days, without change. During the period of this postponement of payments which have become due and payable, the companies covered by this decree will be obliged to pay as follows:

(1) Life insurance companies: Fifty per cent of the face value, or of the stated surrender value of policies, to the extent of 25,000 francs, and the entirety of annuity insurances.

(2) Workmen's compensation insurance companies: The entirety of the temporary allowances and annuities or pensions owed by virtue of the law of April 9, 1898, and of the laws which have modified or amplified it.

(3) Other accident insurance companies of all kinds: The entirety of the temporary indemnity or of the face of the policy, as the case may be, or the whole of the other indemnities due.

(4) Fire insurance and insurance against all other risks than those provided for in the preceding clauses: The entirety of the losses.

(5) Capitalization societies (thrift associations): The entirety of the amount of matured bonds and certificates.

Savings societies, but only in so far as the societies subject to Section II of the Law of July 3, 1915, are concerned: Fifty per cent of the amounts falling due to the interested parties in consequence of the maturing of their series or participations, or in consequence of death, for associations whose investments are made in the construction of houses, payable in instalments; and the totality of the amounts due, for the other societies of this class.

Where the policyholder has continued to reserve the right to avail himself of the privilege provided by Section 5 of the decree of August 10-December 15, 1914, the benefit of the provisions of the preceding clauses can not be invoked by him except on the condition that the amount of the premium had been paid, and in the case of accident and fire insurance, that the statements of wages and of losses have been made conformable to the requirements of the policy.

In the case of life insurance, the insurance company, one month after the dispatch of an unanswered registered letter, reproducing the text of the present provision, and requesting the insured to pay the premiums due, or to undertake the payments in one or more instalments, according to his choice, in the period of two years after the war, shall not be responsible, in case of the death of the insured, except to the extent of the paid-up value of the policy, conformable to the conditions of the contract.

The provisions of the preceding clauses are not applicable in the case of policyholders actively engaged in military service, residing in invaded territory, held prisoners in enemy territory, or engaged in public service outside of France or Algeria. The collection of their premiums in arrears during the period in which they were covered by their policies, shall be made according to provisions which shall be determined after the war is concluded.¹

In the United States similar legislation was proposed, but after passing the House of Representatives and being discussed in

¹ *The Economic World*, n. s., vol. xiv, No. 14, p. 494.

the Senate, further consideration was postponed to the regular congressional session of 1917, when such a law was passed.

Another modified form of the moratorium principle has been suggested and actually placed in operation, with respect to dividends on policies. This phase of the moratorium is well described as follows:¹

It is perhaps not going too far to say that the more life underwriters in the United States study the financial possibilities for their companies which the war with Germany may involve—particularly if hostilities are prolonged for any such period as most of our military men seem to anticipate—the more their anxieties are aroused. In the days when the outbreak of the war seemed probable and in the earlier weeks of the war itself, the general disposition was to look at the function of life insurance from a patriotic point of view, and to search for ways and means of liberality towards such policyholders as might be called upon to risk their lives in the country's service. There was abundant talk, even in life insurance circles proper, of the propriety and indeed obligation of the utmost possible generosity towards the defenders of the nation's cause. When it became apparent that it would never do to accept the war exposure of new policyholders within the probable military age limits without additional premium charges to cover the risk, and when the consequent discussion of war risk policy clauses began, the almost universal effort was to keep these clauses as liberal as possible and to charge the lowest possible additional premium rates for them. This being the disposition of the underwriters themselves, the view taken of the matter by persons less directly charged with the responsibility of the safe administration of life insurance—the State Insurance Commissioners, for instance, as well as not a few voluntary advisers on the subject—was still more patriotic and still less conservative. It was plainly intimated in many directions that this was no time for actuarial meticulousness; the thing of supreme importance was to impose no appreciable burden upon those desiring to protect themselves and their families or dependents against the hazard of war through life insurance. Suppose the extra premium should prove to be not quite adequate for the risk, it was argued, the annual dividend fund of the policyholders as a body might be drawn upon to a moderate extent to make good the difference; for any policyholder who should object to some lessening of his annual policy dividends on this account would be a very scurvy kind of fellow, so deaf to the call of patriotism that his objections might properly be disregarded, seeing that he could not possibly find standing for them with the public at large. In fact, this manner of regarding the question was carried so far by some persons that they advocated treating all the dividend accumulations of all the policyholders of the life insurance companies as a kind of common fund allocated to the payment of

¹ *The Economic World*, n. s., vol. xiv, No. 7, p. 236. Editorial by A. R. Marsh.

losses due to the war, and urged strenuously that the companies should make no extra charge at all for the war risk, but should regard themselves as free, in the general interest of the country, to dip into the fund just described to whatever extent it might be necessary to do so.

It is true that in the United States lawmakers and others prefer to think of life insurance companies in terms of their aggregate resources, convenient for filching through taxation and otherwise, instead of in terms of the multitudinous policyholders for whom the resources are held in trust; but even so no general support could be found for a scheme to engineer a raid in the name of patriotic necessity upon the annual surpluses accumulated by the companies under the promise of distributing these surpluses to the policyholders as dividends on their policies.

In the light of the latest developments in connection with the war losses which the companies will probably have to meet, if a really large army of American troops is sent to Europe before peace is made, the earlier discussions and proposals with respect to war policy clauses and war risk premium rates seem already curiously out of date and irrelevant. For as the great majority of American life insurance companies complete the compilation and computation of their war exposure on policies already outstanding when war began—policies containing no military service clause at all—and as they discover what the actual war experience of life companies in other belligerent countries has been and continues to be, the pressing problem for them ceases altogether to be that of the limits of patriotic generosity, and becomes that of making sure to weather the storm without financial impairment. It is by reason of this newly discovered uncomfortable state of things that the suggestion, now much under discussion among life underwriters, has been made, that the payment of all dividends on participating life policies should be discontinued for the period of the war, i.e., that a kind of moratorium should be established for such dividends.

It is, of course, impracticable for one not in immediate touch with the business, not merely of a single life insurance company but of many, to pass a competent judgment upon the necessity of the expediency of such a moratorium for life policy dividends as has just been described. It is certain that some few of the American companies are under no necessity of adopting this procedure, since in the years before the war they had clung to the practice of inserting war service clauses in all their policies, and thus have not now to face war losses for which no extra premium has been paid or can be demanded. Such companies, however, are undoubtedly the rare exceptions, since disbelief in the possibility of a really serious war between the United States and any other nation or nations has been so general among all classes of our business men, life underwriters included, that provision against such a contingency has been looked upon as almost ridiculous. As for the companies for which the contingency has become a stern reality, it may be taken as certain that great differences exist among them as regards the situation they now have to meet. Some might undoubtedly rely upon their resources to carry them through with any war loss ratio they could possibly experience: others might find themselves hard pressed in a long drawn out war.

INCREASE OF TAXES

Insurance has also been seriously affected by the increased taxation. The expenses of the war have been so enormous that the governments have been forced to use almost every possible source for raising revenue without very scrupulous regard as to whether the subject of taxation was a proper one for increased taxation. Theoretical considerations and principles of equity and justice in taxation have either given way or been modified by the practical necessity and ability to secure the funds for the state. The insurance business in most of its branches not only had on hand large funds, but it was in continual process of collecting large amounts. These funds thus appealed to the hard pressed legislator as an easily available source of revenue, notwithstanding that these large accumulations, in many branches of insurance, were liabilities and not assets; that is to state, they were reserve funds, held under the terms of the insurance contract to meet financial obligations of the insurer. The extent and character of these increased taxes are considered elsewhere in this study.

PUBLIC INSURANCE

One of the most interesting effects of the war on insurance is the establishment of government insurance of several kinds. It is too early to deduce any conclusion from the experience under these various kinds of government insurance, but it may well result that the experiments now being made will result in the permanent establishment and extension of government insurance. As is well known to students of insurance, different kinds of public insurance had been in operation in various countries. In Australia government life insurance had been in operation, and likewise in the European nations several examples of government property insurance. In the United States there had been a trial of public life insurance in the state of Wisconsin. These examples, taken at random, show that government insurance was not a new thing at the outbreak of

the war and, indeed, in many of the nations there had been a growing opinion that insurance in several forms afforded a proper activity for the state. The new hazards which the war introduced into many kinds of insurance, the resulting increase in the risk, and the impossibility of calculating this risk made a condition from which many of the private insurance organizations were glad to be relieved. It was but natural and proper that the state should be called upon to carry these new and unpredictable risks. Hence the state became the insurer, taking on a function which in times of peace would have been strongly opposed by the private insurance organizations. It is assumed probably by the majority of legislators and the people at large, that this assumption by the state of insurance will be an activity to be discontinued at the close of the war. But several considerations may work against the achievement of this end. In the first place, the insurance contract in many of its forms is one which either creates obligations extending to a distant date of maturity, or if not directly doing this, it creates a moral obligation to continue the contract.

In the second place, public insurance was gaining supporters before the war, and if the experiment should appear to be successful, there may result such a demand that the governments which have gone into the insurance business may be forced to continue it. This may be done in competition with private companies, or the state may do as Italy did some years since, make of life insurance, or other forms of insurance, a monopoly.

II

THE EFFECT OF THE WAR ON LIFE INSURANCE

The present war is doing more to bring to the attention of people an appreciation of what life insurance is than all the educational activities of many years. Protection for the family or dependents has become an actual, present problem for many, and a realization that the institution of life insurance is the only possible agency to secure this end has resulted. Individual and competitive life has given way, for the time being, to collective mass conduct, and therefore the cooperative, mutual, characteristic of life insurance finds a wide opportunity for use. Indeed, so great is the need for the wide application of the insurance principle to equal the correspondingly broad cooperation of social groups, united to achieve a single purpose, that the existing agencies for the operation of the insurance principle—private insurance organizations—have been found inadequate to meet the situation. There has, therefore, resulted the use of that most inclusive agency known to society—government—which in different ways has assumed for the time being the function of granting insurance of various kinds.

STATUS OF LIFE INSURANCE BEFORE THE WAR

It has been shown how and why insurance was becoming more popular in the period preceding the war, and how in its various forms it was becoming increasingly used to meet the needs of society. This increase in the use of insurance was due in part to the fact that it was becoming more scientific and in part to a better understanding and appreciation of insurance. The need

or demand for insurance was a result of the fact that society, both in its individual and group activities, was becoming more interdependent. However social progress may be characterized, and whether there is any agreement as to what constitutes social progress, it is undoubtedly true that the past century has witnessed what Herbert Spencer has described as an increased homogeneity, accompanied by an increased heterogeneity. The isolation of interests and the individual economic and social conduct have given way to a growing community of interests of an increased number of groups and a greater unity of interests. Life insurance has therefore found an unusual field of service in this developing community of interests, and has therefore increased in all the leading nations in volume and in individual policies. The following table shows the amount of life insurance in force in some of the leading nations at the close of the year 1916:

Country	Population	Life Insurance in Force	Per Capita
United States	101,577,000	\$31,155,603,975	\$307
Great Britain	47,000,000	5,870,212,000	125
Germany	68,000,000	2,350,000,000	34
France	40,000,000	762,300,000	19
Japan	55,000,000	270,000,000	5
Russia	175,000,000	400,000,000	2.50
Canada	7,000,000	1,402,466,288	235

Statistics are not available to determine the number of single persons who hold life insurance policies. There were in the United States in 1916 over ten million ordinary life policies in force in the regular life and industrial companies. This does not include the large number of policies in fraternal and assessment companies, nor does it take into account the fact that many persons hold more than one policy of life insurance.

The life insurance companies of the United States have not in large numbers entered foreign countries to solicit business. The following table shows the foreign business of the large United States companies which have to any extent entered the international field.

POLICIES AND AMOUNTS INSURED¹

Name of Country	Equitable Life Assurance Society of U. S. A., No. of Policies	Equitable Life Assurance Society of U. S. A., Amount of Insurance	Germania Life Insurance Company, No. of Policies	Germania Life Insurance Company, Amount of Insurance	Mutual Life Insurance Company, No. of Policies	Mutual Life Insurance Company, Amount of Insurance	New York Life Insurance Company, No. of Policies	New York Life Insurance Company, Amount of Insurance
Argentina Republic...	2,574	\$14,046,135	.....	.....	.....	.....	4,597	\$19,988,619
Australia	2,253	3,440,801	.....	.....	1,340	\$2,403,698	2,746	5,045,391
Austria-Hungary	1,362	1,973,133	7,763	\$12,826,939	5,383	9,649,236	15,117	38,277,189
Belgium .....	.....	.....	686	2,144,291	.....	.....	.....	.....
Brazil	188	538,387	.....	.....	.....	.....	.....	.....
Bulgaria .....	.....	.....	.....	.....	.....	.....	2,871	10,805,810
Canada	12,570	25,793,567	188	323,287	*16,191	*34,630,316	4,255	6,235,568
Chile	2,431	18,011,548	.....	.....	38,432	73,135,173	2,968	7,765,835
Cuba	1,149	4,722,363	.....	.....	2,845	11,468,534	2,464	9,260,216
Denmark	256	280,956	.....	.....	.....	.....	549	1,074,077
France	7,936	30,645,993	.....	.....	.....	.....	25,515	84,636,633
Germany	2,184	6,453,527	21,246	37,273,146	2,501	7,853,375	15,902	72,150,642
Great Britain	12,593	31,601,025	.....	.....	19,912	52,613,493	19,287	38,267,093
Italy	770	1,294,767	.....	.....	5,432	8,046,095	.....	.....
Japan	2,225	6,928,097	.....	.....	.....	.....	14,903	15,872,632
Mexico	1,425	3,725,302	556	1,984,821	.....	.....	3,547	7,868,191
Netherlands	1,360	2,870,850	.....	.....	.....	.....	.....	.....
Newfoundland	214	418,756	.....	.....	668	1,035,014	218	415,639
New Zealand	1,322	2,054,042	.....	.....	.....	.....	615	1,170,718
Russia	7,328	15,356,759	.....	.....	.....	.....	31,565	73,148,943
Serbia	71	45,041	.....	.....	.....	.....	1,154	1,480,651
South Africa	4,517	12,210,677	.....	.....	3,076	9,064,666	4,269	9,524,702
Spain	7,248	20,025,401	636	1,184,873	1,342	2,007,303	7,650	21,591,919
Sweden and Norway	953	866,071	.....	.....	4,335	2,883,494	1,705	2,962,106
Switzerland	211	371,545	1,634	2,332,919	.....	.....	2,240	5,027,517
Tasmania .....	.....	.....	.....	.....	318	314,318	.....	.....

* Estimated.

¹ *The Economic World*, n. s., vol. xiv, No. 2, p. 63.

The war has had very decided effects on the business of life insurance, and these effects may be discussed under the following heads:

- (a) The effect on the amount of insurance written.
- (b) The effect on the policy contract.
- (c) The effect on the finances of the companies.
- (d) The effect on the mortality experience.

THE EFFECT ON THE AMOUNT OF INSURANCE WRITTEN

The decrease in the amount of insurance written since the beginning of the war is due primarily to two causes. In the first place, the cost of insurance was largely increased by the greatly enhanced hazard of war service by prospective applicants. As will be described later, some companies have refused to insure those entering the military and naval service, and practically all companies increased the premium charge to a marked amount, so that for many the cost of insurance practically became prohibitive. In the early stages of the war the unusual condition prevailed of many seeking insurance and either being refused insurance directly, or being asked to pay such a price that it was impossible for the applicant to purchase it. The companies did not, and could not, know what extra premium to charge to meet the increased mortality hazard, since statistics of mortality in previous wars were either incomplete or could be used only as an imperfect index of the mortality to be expected from the present war which was being conducted on a scale of human destructiveness never before known to civilized man. The numbers engaged and the methods of combat used were so different from those of previous wars that the known principles of predicting mortality were of little use. As a result, rates for life insurance were very materially increased, varying in different companies and countries, but amounting to a marked increase in cost, as, for example, from \$25 to \$50 or more on the \$1,000 of insurance. The second cause of the decrease in insurance is

found in the fact that many insurance officials and salesmen were withdrawn from their insurance activities to serve in the army, navy, or other branches of the state service. Even if the places of these trained men were filled, the inexperienced substitute could not be expected to secure the results of the experienced man.

The following table shows how the war affected the leading English companies during the earlier periods of the war:

Company	Business within the United Kingdom £		Business outside the United Kingdom £	
	1914	1915	1914	1915
Alliance	1,436,400	777,300	4,000	.....
Commercial Union..	2,352,300	1,640,300	81,700	57,400
Gresham	351,300	341,000	1,412,000	772,600
Legal and General...	2,660,500	1,426,800	.....	.....
London Life.....	815,000	502,900	.....	.....
North British.....	2,020,600	1,141,200	238,400	183,500
Norwich Union.....	2,857,200	2,232,300	1,786,300	1,172,200
Phoenix	1,026,400	695,200	240,400	168,100
Prudential (Ord.)...	6,318,800	6,619,200	.....	.....
Prudential (Ind.)...	32,291,600	35,112,800	.....	.....
Refuge (Ord.).....	2,513,100	2,658,900	.....	.....
Refuge (Ind.).....	11,375,600	8,364,600	.....	.....
Scottish Provident..	1,654,700	1,172,600	.....	.....
Scottish Widows ...	1,981,100	1,592,900	109,700	62,900
Sun	2,692,900	1,902,300	.....	.....
United Kingdom Pro- vident	1,080,600	1,017,400	.....	.....
Total	73,428,100	67,197,700	3,872,500	2,416,700

So far as statistics are available, similar results are shown for a number of other countries engaged in the war, except in such nations as the United States, which has too recently entered into active participation in the struggle, and Japan, which has taken as yet no very active part in the war. In the latter country, owing to the general prosperity prevailing, due largely to the war and to the fact that life insurance companies are being organized and operated on a modern basis, the amount of life insurance is greatly on the increase. The following table indicates the character and extent of this increase in life insurance in Japan:

GROWTH OF LIFE INSURANCE IN JAPAN SINCE 1880¹

Year	Number of Companies	Amount of Reserves	Number of Policies in Force	Amount of Outstanding Insurance
1880.....	1	.....	.....	.....
1882.....	1	\$12,372	.....	.....
1892.....	..	500,772	.....	.....
1902.....	..	8,468,535	.....	.....
1903.....	37	.....	668,735	\$90,825,557
1904.....	38	.....	728,714	103,431,922
1905.....	34	.....	721,275	106,688,415
1906.....	33	.....	738,539	115,480,395
1907.....	31	.....	818,377	137,839,652
1908.....	32	.....	941,584	175,042,254
1909.....	32	.....	1,050,900	211,482,912
1910.....	32	.....	1,110,782	240,018,852
1911.....	33	.....	1,155,790	269,032,254
1912.....	36	42,825,000	1,291,451	323,034,542
1913.....	40	51,292,000	1,688,683	481,655,000
1914.....	39	61,732,000	1,862,433	542,541,000

In Canada no marked decrease in insurance in force has shown up to the end of the year 1916. In Canada, as in England, special efforts were made in the early stages of the war to postpone the increase in the premium charge. Premiums in Canada were increased in some companies only 15 per cent and in none more than 25 per cent. There was a general disposition on the part of the companies to assume as much as possible of the burden of the war insurance cost, and in some cases cities, such as Toronto, assumed a part of the increased cost. Then, too, the officials of the insurance companies did not know what extra charge to assess. In some cases, this resulted in a postponement of an extra charge, and in other cases, of a small increase which doubtless, under the strong competitive conditions prevailing in the business, deterred other officials from increasing the premium for fear the company would lose business. In time, however, as the war progressed, the increase in the premium has been made. The real effects of the war on the volume of life insurance in force can only be known after the war has ended. There has been, as in many other aspects of the war, a complex of opposing motives in force. On the one hand is the desire of those who are enrolled or who expect to be enrolled for war service, to avail themselves of the protection which insurance

¹ *The Economic World*, n. s., vol. xiv, No. 5, p. 167.

affords for their dependents. On the other hand is the company which desired new business, but which did not know what extra charge ought to be levied in order to protect the present and future contracts. Uniformity of action was, therefore, difficult to secure, and for a time chaos in the life insurance business, as in many other lines of business, prevailed.

The following table shows that in Canada there was no actual decrease in the amount of life insurance in force up to the close of 1916.¹

Year	New Insurance Issued	In Force at End of Year	Increase in Insurance in Force	Percentage of Increase to	
				New Insurance	In Force at Jan. 1
1907.....	\$90,382,932	\$685,523,485	\$29,262,585	32.4	4.5
1908.....	99,896,206	719,516,014	33,992,529	34.0	5.0
1909.....	131,739,078	780,356,980	60,840,966	46.2	8.5
1910.....	152,762,520	856,113,059	75,756,079	49.6	9.7
1911.....	176,866,979	950,220,771	94,107,712	53.2	11.0
1912.....	219,205,103	1,070,308,660	120,087,898	54.8	12.6
1913.....	231,608,546	1,168,590,027	98,281,358	42.4	9.2
1914.....	217,006,516	1,242,160,478	73,570,451	33.9	6.3
1915.....	221,119,558	1,311,616,677	69,456,199	31.4	5.6
1916.....	231,146,125	1,402,466,288	90,849,611	39.3	6.9

In Germany preceding the war the life insurance companies had enjoyed several years of great prosperity. Both the amount of insurance in force and the amount of new business had been increasing in a very satisfactory manner.

At the outbreak of the war, the amount of new business written annually amounted to over 1,300,000,000 marks, and the total amount of life insurance in force aggregated over 16,000,000,000 marks, with an annual premium income of about 700,000,000.²

The war has had a marked effect on the business. Agency and field forces of the companies have been destroyed or disorganized, because many have been called to war service. Economic depression has had its effect in decreasing the business. In 1913 the German companies wrote about 1,334,000,000 marks of new business, but in 1914 this amount had decreased to 978,000,000

¹ *The Economic World*, n. s., vol. xiii, No. 26, p. 923.

² *Ibid.*, vol. xiv, No. 9, p. 313.

marks, and in 1915 only 437,000,000 marks of new business was placed on the books; that is, about one-third of the new business of 1913. The industrial life insurance in 1914 showed a decrease in the amount insured of 56,000,000 marks.

In Russia the German insurance companies held the most important position in all fields of the business, not excluding the Russian companies. With the outbreak of the war, the business of insurance with enemy companies was restricted or wholly prohibited. This has resulted in an extension of the business of the domestic companies, although the disturbed conditions which have since prevailed in Russia have prevented the normal extension of life insurance.

Lapses and Surrender of Policies

However, the effect of the war on the amount of insurance in force will be determined not only by the actual amount of new business placed on the books of the companies, but also by the extent of surrenders and lapses of policies in force. Several factors will contribute to this latter cause. In the first place, the life insurance policy provides that a policy lapses if the premium is not paid when due, or within a period of grace, frequently established at thirty days. Many of those holding insurance policies are now engaged in some branch of the military service. Many policyholders do not know when premiums are due, but depend upon notification from the company as to the time of payment. As is well known, such a notice could not promptly reach many policyholders even if the address were known. Means and methods of communication are either wholly absent or difficult. In the second place, many of the policyholders who are in the service of the nation will not have the money in their possession to pay the premiums when they are due. The remuneration which is received in the service and the conditions of living make it difficult for many to save enough to pay the premium. Yet the policy requires that premiums shall be promptly paid. In the case of many policy contracts, the non-

payment of the premium is the one remaining ground on which the payment of the policy can be contested. Most of the earlier restrictions which voided the policy have been abolished. It is true that provision is made in most of the policies for what is called extended insurance, in case the policy lapses on the failure to pay the premium which is due. This, however, becomes a valuable consideration only in the case of those policies which have been in force for some time, since the first premiums do not, after the expenses of insuring the applicant are paid, contribute a large amount to the individual reserve on the policy which determines the length of time that the insurance will be extended. This situation, therefore, has caused in some countries legislative proposals, and in some cases legislative enactments, which have for their purpose the continuation of the policy in force, in case the premium is not paid when it is due. This is an application of the moratorium principle to insurance, and is discussed elsewhere in this monograph. The position of the officials of the insurance companies is not so simple as might at first be supposed. These officials are in the nature of trustees for the policyholders in general, and should at all times so manage the finances of the company as to secure full payment on all contracts, and at the lowest cost to all. No life insurance company is conducted on the basis of holding large amounts of actual cash on hand. The funds are invested in long time securities. The assets are not, in other words, of a liquid character. Claims are maturing daily and are paid in part out of the large premium income which comes to the companies. If, therefore, this stream of incoming funds is decreased, and at the same time the outgoing stream is not only not decreased, but probably increased, some other source of supply must be found. The only other source is found in the funds, invested in these long time securities, or the interest accumulations on them which must be diverted from the ordinary channels of flow to the payment of these maturing claims which are not met by the normal flow of income from premium receipts.

Loans on Policies

There is not, however, any evidence as yet in the United States, Canada, or England that the war is causing either an extra demand for loans on policies or that surrenders are more frequent. The situation as it existed in England at the close of 1916 is presented as follows by a writer.¹

In the United States and Canada during the financial crisis which set in at the end of 1907, life insurance offices had to sustain something like a limited run upon their resources, due to the large demand for policy loans or the surrender value of policies from financially distressed policyholders, and a few of the companies were seriously embarrassed to find sufficient funds to meet the claims made upon them. It was this experience which led British offices to view with apprehension when the war broke out in 1914 any similar development in this country. We have already shown that in the case of loans the fears entertained, and, as far as possible, very prudently provided against, were not justified, the principal offices showing a slight decrease in the amount of loans outstanding at the end of 1915 as compared with the close of 1914, and the ratio to life and annuity funds declining from 7.7 to 7.6 per cent.

With regard to surrenders, practically the same tendency has been exhibited and the sum which the companies were called on to pay in this respect in 1915 was a trifle smaller than in 1914. This is the more satisfactory as the issues involved are of greater importance than in the case of policy loans. In granting a loan, an office is perfectly sure of its capital, for it is covered by the amount assured, and all the office does is to lock up its money at a possibly inconvenient time. In paying out a surrender value, though the office extinguishes a future liability, it is parting with a good life, and increasing the rate of mortality amongst the remainder. This is the teaching of experience, since only those policies which have been fairly long in force have acquired a surrender value, and therefore represent healthy lives; policyholders in indifferent health do not want to take the surrender value of their policies, except under the extreme pressure of adverse circumstances. So far as the last two years are concerned, the offices have lost the advantage of many of their best lives through their patriotic action in asking no extra premium for war risks from policyholders existing at the outbreak of hostilities, and to that extent it may be said that an increase in surrender values which might have otherwise occurred has been shifted to the advance in mortality claims represented by war deaths.

Surrender values, like policy loans, have never figured as prominently in the finance of British offices as in that of colonial and American companies. The amount paid for surrenders by the latter averages about 2.3 per cent of the amount of life and annuity funds, whilst the ratio of British offices—

¹ *The Economist* (London), vol. lxxxiii, September 16, 1916.

including the industrial department—is only 0.6 per cent. This proportion has varied but little during the last thirty years. In the eighties it was 0.5 per cent, it fell to 0.4 per cent in the nineties, and since 1900 it has moved up to the present level. This rise is unimportant if we bear in mind the much wider knowledge policyholders now have of the rights attaching to policies, of their greater willingness to make use of them, should the need arise, and of the inclusion of surrender of bonuses.

In the table below is shown the amount paid in surrender values last year by offices whose new assurance, except in the case of certain of the industrial companies, amounted to over half a million, together with the increase or decrease as compared with 1914 and the ratio to life and annuity funds in 1915 and 1910:

	Surrender Values	Decrease or Increase	Ratio to Life and Annuity Funds	
	1915 £	on 1914 £	1910 %	1915 %
Ordinary				
Alliance	104,400	—11,200	0.4	0.6
Caledonian	20,500	+ 6,400	0.5	0.5
Clerical, Medical & General	27,800	—10,200	0.3	0.4
Commercial Union	143,600	+28,400	0.7	0.9
Gresham	67,300	— 2,100	0.7	0.6
Law Union & Rock	43,700	+ 2,000	0.7	0.5
Legal & General	31,700	+ 1,600	0.2	0.3
Liverpool & London & Globe	31,700	—42,300	0.4	0.6
London & Lancashire	39,900	+ 1,600	0.8	1.0
London Life	55,200	+17,900	0.3	1.1
National Provident	25,300	— 300	0.3	0.3
North British & Mercantile	59,300	—27,600	0.2	0.3
Norwich Union	155,100	+34,600	1.2	1.1
Pearl	36,500	+ 300	0.9	0.8
Phoenix	66,100	+ 200	0.5	0.6
Prudential	415,700	—46,600	1.4	0.8
Refuge	85,200	— 1,100	2.4	2.9
Royal Exchange	30,700	— 4,000	0.7	0.6
Royal Insurance	66,900	+ 4,300	0.5	0.5
Scottish Amicable	44,400	+18,000	0.3	0.7
Scottish Equitable	28,500	— 1,100	0.7	0.4
Scottish Provident	65,100	—34,900	0.5	0.4
Scottish Temperance	13,300	— 400	0.6	0.5
Scottish Union & National	35,100	— 8,100	0.3	0.4
Scottish Widows	160,600	+ 800	0.6	0.7
Standard	151,000	+16,000	0.5	1.1
Star	39,200	—29,400	1.1	0.5
Sun	81,400	+13,300	0.6	0.7
United Kingdom Provident	40,800	— 7,300	0.6	0.4
Industrial				
Britannic	8,800	— 3,800	1.2	0.4
London & Manchester	3,100	— 1,100	1.2	0.3
Pearl	2,600	— 100	0.05	0.04
Prudential	195,400	—19,500	0.7	0.4
Royal London Mutual	3,100	— 3,200	0.2	0.08
Wesleyan & General	3,200	—11,500	3.0	0.2

The total amount paid by the companies in the above group in 1915 in the ordinary department was £2,166,000, as against £2,247,200 in 1914, a decrease of £81,200, or over 3 per cent. The amount in 1910 was £1,955,700. In 1915 the ratio to life and annuity funds was 0.6 per cent, but in the other two years it was the same at 0.7 per cent. In the industrial department the sum paid in 1915 was £216,200 as compared with £255,400 in 1914, a drop of £39,200, or more than 15 per cent. The figure in 1910 was £288,900. There has been a steady decline, with some fluctuations, in the industrial department since the eighties, when the ratio was as high as 1.7 per cent. In the case of the companies in the table, the proportion in 1915 was 0.3 per cent as against 0.4 per cent in 1914 and 0.6 per cent in 1910. There are special reasons for this. On an average 20 per cent of industrial policies lapse in five years without becoming claims, and the policyholders are of a class who are not the most conversant with their rights and privileges. In the majority of instances, too, where surrender values accrue, it is the custom to discharge the liability with a paid-up policy for the amount due in lieu of payment in cash. The Refuge makes no immediate cash payments for the surrender value of an industrial policy.

THE EFFECT ON THE TERMS OF THE LIFE INSURANCE POLICY CONTRACTS

The second effect of the war on life insurance to be discussed is the changes which have been necessitated in the policy contract. These modifications have pertained to the following subjects: First, the insertion of a military service clause and a modification of the disability clause to cover the contingency of disability, due to military service; second, certain increases in the premium charge and in the provisions with respect to the time of payment of the premium.

In order to understand the changes which were made in connection with military service, it is necessary to refer to the history of what may be called the liberalization of the policy contract. Thirty years ago the life insurance policy had many limitations upon the policyholders' privilege of residence and occupation. Even in a single country such as the United States, it was not unusual to find restrictions upon residence in certain sections of the country, believed to be unhealthy, and residence in tropical and polar regions was usually prohibited in all policies. Restrictions as to occupations in which the policyholder might

engage were also common, and military or naval service was particularly under the ban. These restrictions either provided that the policy become void, or required the special consent of the officials of the company and the payment of an extra premium. Even in the most liberal policies, the face of the policy was not paid in full in case of death in the military or naval service.

Several causes contributed to a liberalization of the policy contracts. In some respects it was due to legislative enactments, especially in the provisions with respect to cash surrender values, payment of dividends and other matters pertaining to the normal conditions of peace times. But the more important factors producing a more liberal policy contract were the increased competition among the companies for business, and a growing belief that serious mortality losses, as a result of war, were not probable. On the one hand, the aggressive agency forces and managers desired to make their policy more attractive to prospective purchasers. At the same time the general conditions of peace, which had long prevailed after the wars of the third quarter of the nineteenth century, together with the seemingly accumulative evidence of an increasing feeling of human solidarity, persuaded the managers of the life offices that the rigid restrictions on military service were unwarranted by the prevailing and prospective conditions. This was the general situation in most of the countries now engaged in the great war. It is not to be understood, however, that the above circumstances had resulted in a life insurance policy contract which was absolutely free from restrictions on military service. The condition above described is one which evolved from a situation of very general prohibition to one of limited restrictions. Nor was there a state of anything approximating uniformity in these policy restrictions, either in different countries or in different life companies in the same country.

It will be understood that one of the marked effects of the war on the life insurance policy contract was to check that liberalization of the policy contract which had been in process for several

decades, and to return to the restrictions of an earlier date. There are, therefore, three classes of policyholders who are to be considered in a discussion of these restrictions on military service. First, there are those old policyholders who now hold policies with the stringent restrictions of the early date. They are of no great significance, so far as actual military service on their part is concerned, since they are in most cases excluded from such service by the limitations of age.

In the second class there are those large numbers of policyholders who have been insured during the late years under the liberalized policy. Life insurance in all the leading countries has increased very rapidly during the past decade, and policies are now held by many who have entered, or will enter, some branch of the service. These policyholders are not only interested in having their policies matured under their present terms, but they are also interested in such provisions as to whether, in case of military service, they are compelled to pay an extra premium. This class, as well as the preceding class of older men, is also interested in the terms under which new entrants are accepted; that is, if new applicants should be accepted at a premium rate which does not represent the hazard of war, not only would the annual cost of the insurance to these older policyholders be affected, but under certain circumstances the very integrity of their insurance might be jeopardized. It is advisable, therefore, to analyze the situation in the leading countries with respect to the provisions of the life insurance policy contract at the outbreak of the war, and also the changes which have been made. It may be stated by way of a preface to the following discussion, that there has been a disposition among the officials of life insurance organizations to apply the restrictions in the most limited manner. On this point the following statement is pertinent.

This attitude has been induced by considerations of two different orders. First, motives of disinterested patriotism and of desire to subordinate purely business interests to the country's good have been as strong in the minds and hearts of those charged with the conduct of our life insurance as in the minds and hearts of any other class in the community. They have felt very

deeply the self-sacrifice involved for such American citizens as in the cause of all of us undertake the ultimate risk of all risks, that of the loss of their lives; and they have shrunk from adding to the burden of this self-sacrifice by presenting to those about to make it a heavy bill over and above what they have been hitherto called upon to pay for the protection of those dependent upon them and loved by them. On this account alone, the discussion of the now inescapable war risk provisions attaching to life insurance policies on the part of our life insurance leaders has been dominated by the feeling that the restrictions must be made as little burdensome as possible and that the extra charges must be kept down to the lowest possible point. Again, it is undeniable that the readiness with which a certain class of our politicians and other *soi-disant* expounders of public opinion make use of any and all excuses for attacking insurance companies, on the ground of the asserted exorbitance of the cost of the services they render, breeds in members of the insurance fraternity a disposition to avoid anything that may be construed, even by malicious tongues, as taking advantage of an opportunity to raise the price of the insurance sold. Hence a very natural hesitation on the part of life insurance managers in the United States to base their calculations and their decisions in the matter of war risk restrictions and premiums upon the cold and impersonal facts and figures that the actual experience of this war upon which we are about to enter has yielded to the statisticians and actuaries. . . .

Leaving aside this last suggestion as highly improbable of acceptance in this country, even the most patriotic among us can not avoid a certain doubt as to the advisability of having our life insurance institutions undertake the hazard which is implied by their undertaking to do, on a scale about which calculation in advance is naturally out of the question, that which all the available experience from belligerent countries indicates to be one of very considerable magnitude. All will agree that life insurance protection for the defenders of the country's cause, and that at a rate which is not intolerably high, is one of the greatest of desiderata in the present exigency of the country's affairs. None the less, the maintenance of the unquestioned security of our life insurance as a whole is not only equally important from the point of view of the interests of the general body of policyholders but also from that of the country's success in the war. For at least one-tenth of the financial resources required for the prosecution of the war must come from the accumulations which the life insurance companies hold in trust for those policyholders.

It may be said—and truly—that if the distribution of ages for insured lives were to remain what it now is on the books of our insurance companies, there would be no great element of danger to the companies from their war risks, even at inadequate rates, inasmuch as the proportion of men of military age among the insured is small. The difficulty here is that the very war itself will induce an extraordinary accession of applicants called to the flag—applicants who can not well be refused and who, of course, will immediately disturb greatly the proportion between the companies' total war risk exposures and their insurances free from this exposure. Inadequacy

of war risk rates will accordingly produce malign effects far greater than the present distribution of ages would indicate.¹

In the United States the liberalization of the policy contract had especially been great and when the war opened, there was no agreement as to what should be done. The mortality experience in the Spanish-American War, both from death and disease, was only about 20 per 1000 for officers, and 25 per 1000 for men, and the insurance officials, who at that time had placed at the beginning of this war no great restrictions on the policy contract, had had their judgment vindicated. There was some disposition on the basis of this experience to adopt only very moderate restrictions. Other war mortality statistics, however, indicated caution. In the Mexican War, the combined death rate from wounds and disease was 118 per 1000, and in the Civil War, the average annual death rate was approximately 110 per 1000, with a disease death rate of 69 per 1000. In the Franco-German War, the German army had a death rate of 42 per 1000, and in the Chino-Japanese War, the death rate for the Japanese army was about 25 per 1000. All this data did not, however, aid greatly in determining what extra charge or restrictions should be made by the American life insurance companies.

Efforts to Unify War Clause

In an effort to agree upon some uniform provision, an investigation was made of the existing practice of the life insurance companies. The practice of 221 United States companies, having 99.75 per cent of the life insurance in force at the end of 1915, was collated.

The tables were based upon an analysis of policies submitted by 152 of these companies, including 98.24 per cent of the total business. The committee warns the reader that the insurance in force was not all on the plan of which the classification is descriptive. It was impossible to make any classification showing the different assets of insurance in force with and without war claims.

¹ *The Economic World*, n. s., vol. xiii, No. 18, p. 632.

Out of the 221 companies with 99.75 per cent of the insurance in force, it was found that 122 with 77.18 per cent of the insurance in force issued policies at the beginning of 1915 with no restrictions as to naval or military service, either in times of peace or war. The remaining 99 with 22.55 per cent of the insurance in force issued policies at that time with some kind of clause restricting the policyholder as to such service.

Of 88 companies, from which one or more policies were examined, there were 44, with \$8,631,000,000 in force, which made no specific reference to war service in their policies. Forty-four others with insurance in force of \$8,691,000,000, had clauses stating specifically that there was no such restriction. The committee grouped the companies which had restrictive clauses into two classes, as shown by the following table.

CLASSIFICATION OF WAR CLAUSES IN UNITED STATES LIFE INSURANCE
COMPANIES

	No. of Companies	Insurance in Force Dec. 31, 1915
I. Continuous Restrictions		
(Effect of war service without consent)		
(a) Policy becomes void....	6	\$123,333,975
(b) Benefits reduced:		
(1) To gross premium....	3	\$ 22,212,556
(2) To net premium.....	2	14,736,031
(3) To legal reserve.....	22	487,972,831
(4) To cash surrender value	3	24,071,502
(5) By lien or otherwise..	4	107,507,653
(c) Not specified	12	189,128,626
Total Class I	52	\$968,963,174
II. Limited Restrictions (one or two years)		
(Effect of war service without consent)		
(a) Policy becomes void....	4	\$433,744,745
(b) Benefits reduced:		
(1) To gross premium....	8	\$1,491,449,130
(2) To legal reserve.....	1	374,415,941
(3) By lien or otherwise..	2	1,677,608,569
(c) Not specified	3	57,916,533
Total Class II	18	\$4,035,134,918
Total Classes I and II....	70	\$5,004,098,092

Class I included those which had clauses which provide restrictions continuous with the duration of the contract, and Class II those which had clauses for a limited period of years. Of the 70 companies having some kind of a restrictive clause, 52 were in Class I, and they had \$968,963,000 of the insurance in force at the end of 1915, or 4.26 per cent of the total life insurance in force at that date. The remaining 18, with a limited restrictive clause, had \$4,035,134,000, or 17.75 per cent of the insurance in force at the end of 1915. The restrictions against military and naval service in the policies of most United States companies were conditional and not absolute. They usually implied the company's consent, and provision was made in some cases for payment of extra premiums or the reduction in the benefit.

The following table shows the terms upon which the company's consent could be received. Of the 70 companies whose policies were examined, only 21 specify the terms upon which exemption may be specifically secured, but these 21 companies represent 45 per cent of the aggregate insurance in force in the 99 companies having restrictions.

TERMS UPON WHICH COMPANY'S CONSENT TO WAR SERVICE CAN BE OBTAINED		
	No. of Companies	Insurance in Force Dec. 31, 1915
I. Terms discretionary	49	\$2,650,297,420
II. Payment of extra premium		
(a) Amount and manner to be determined by the company	14	\$606,790,261
(b) Maximum annual pre- mium specified	1	2,757,333
(c) Single extra payment:		
(1) In cash	1	
(2) In cash or lien	3	1,728,126,300
Total Class II	19	\$2,337,673,894
III. Creation of war clause and payment of extra cost		
(a) In cash or by lien (with maximum of 10 per cent of face)	1	\$ 7,033,322
(b) In cash or by lien (esti- mated maximum 10 per cent of face)	1	9,093,456
Total Class III	2	\$16,126,778
Total Classes I, II and III	70	\$5,004,098,092

As a result of this investigation, a report was submitted to the Association of Life Insurance Presidents, in which was recommended for adoption the following military or naval service clause:

During the first ten years of this policy military or naval service in time of war is a risk not assumed by the company unless the insured shall give notice thereof to the company within thirty-one days after entering on such service, and pay such extra premiums as the company may fix therefor. In event of the insured entering upon such service and failing to give such notice, or failing to pay such extra premiums at the times and in the manner required, the liability of the company for death of the insured during such period of ten years, while engaged in or as a result of such service, shall be limited to the reserve at the time of death, less any indebtedness hereon to the company.

This recommended clause, or a modification of it, has been adopted by a large number of life insurance companies in the United States. There is a considerable difference in the amount of the extra premium which companies are charging for this extra military hazard. It will be observed that this clause applies only to those who, having as a civilian obtained a policy, later enter the military or naval service. It leaves the subject of insuring those who are already in such service to the discretion of the company.

There is also a very great difference in the practice of life insurance companies in regard to the general treatment of war risks. Generalizations are impossible to make. The following are some of the more important matters upon which there is a difference in practice:

- (a) The acceptance or nonacceptance of insurance of those now in, or contemplating entrance into, the military or naval service.
- (b) The distinction made or not made between ordinary military and naval service and aeronautic and submarine service.
- (c) The distinction made between service in the United States and service either for the United States on foreign soil, or service with a foreign nation.

(d) The limit of the amount of insurance which will be granted to those entering military or naval service.

(e) The kind of policy which will be granted to those entering the war service.

(f) The amount of an extra premium required of those entering war service.

Practice of Companies in the United States

A very large number of additional points upon which the practice of the companies differs might be cited. The following analysis of the practices of a representative number of companies is given to illustrate this great divergence of practice.¹

NORTHWESTERN MUTUAL LIFE INSURANCE COMPANY

Milwaukee, Wisconsin

Lives upon which no new insurance will be issued—Policies not issued to those in military or naval service, or those contemplating engaging in same.

Extra annual premium on lives already insured if they enter military or naval service—\$50.

Lowest-priced form of policy written—5-year term.

Extra annual premium per \$1000 for service in army or navy—\$50.

Extra annual premium per \$1000 for service in continental United States—\$50.

Extra annual premium per \$1000 for members of home defense leagues, etc.—None except for military or naval service in time of war.

Time when extra premiums are payable—Upon engaging in military or naval service.

Liability of company if extra premium is not paid—Reserve on policy in time of war.

Period during which extra premium is payable—Two years.

Conditions as to existing business—None on policies issued prior to April, 1917.

NORTHWESTERN NATIONAL LIFE INSURANCE COMPANY

Minneapolis, Minnesota

Lives upon which no new insurance will be issued—Aeronautic service.

Limit of new insurance written upon persons enlisting in the militia—\$5000.

Ages to which these limits apply—All.

Extra annual premium per \$1000 for service in army or navy—\$100.

¹ *The Spectator*, August 2, 1917.

Extra annual premium per \$1000 for service in continental United States—None.

Extra annual premium per \$1000 for members of home defense leagues, etc.—None.

Time when extra premiums are payable—Annually in advance.

Liability of company if extra premium is not paid—Reserve.

Period during which extra premium is payable—During continuance of service.

OCCIDENTAL LIFE INSURANCE COMPANY

Los Angeles, California

Lives upon which no new insurance will be issued—Submarine, aerial and service for any foreign government.

Extra annual premium on lives already insured if they enter military or naval service—None.

Limit of new insurance written upon persons enlisting—Army, \$2000; volunteers, \$2000; navy, \$2000; conscripted, \$2000.

Ages to which these limits apply—All.

Lowest-priced form of policy written—20-payment life, nonparticipating.

Extra annual premium per \$1000 for service—Army, \$100 if abroad; navy, \$100 anywhere; volunteers, \$100 if abroad; conscripted, \$100 if abroad.

Extra annual premium per \$1000 for service in continental United States—None, excepting service in aerial corps, motorcycle corps and munition factories.

Extra annual premium per \$1000 for members of home defense leagues, etc.—None, excepting service in aerial corps, motorcycle corps and munition factories.

Time when extra premiums are payable—At commencement of such service as requires extra and annually thereafter.

Liability of company if extra premium is not paid—Reserve of policy.

Period during which extra premium is payable—Duration of service not to exceed ten years.

Conditions as to existing business—Issues prior to May 6, 1917, free as to war service of any description provided never connected with army or navy nor of foreign birth.

EQUITABLE LIFE INSURANCE COMPANY

Des Moines, Iowa

Lives upon which no new insurance will be issued—Aviation or in the service of any country other than the United States.

Extra annual premium on lives already insured if they enter such service—None in continental limits of United States and 10 per cent of sum insured to cover service outside United States.

Limit of new insurance written upon persons enlisting—\$2000.

Ages to which these limits apply—All ages.

Lowest-priced form of policy written—Ordinary life.

Extra annual premium per \$1000 for service in army—None within United States, 10 per cent without; navy, 10 per cent.

NATIONAL LIFE INSURANCE COMPANY OF THE UNITED STATES OF AMERICA

Chicago, Illinois

Extra annual premium on lives already insured if they enter military or naval service—\$6.25 monthly for balance current calendar year for naval service or military service outside of United States. No charge to January 1, 1918, for military service in United States.

Time when extra premiums are payable—Upon entering service.

Liability of company if extra premium is not paid—Reserve period during which extra premium is payable—During war.

Conditions as to existing business—Permits granted on payment of extra premium if required.

NEW ENGLAND MUTUAL LIFE INSURANCE COMPANY

Boston, Massachusetts

Extra annual premium on lives already insured if they enter military or naval service—None.

Limit of new insurance written upon persons enlisting in the army or navy—\$2500.

Ages to which these limits apply—All ages.

Lowest-priced form of policy written—Ordinary life.

Extra annual premium per \$1000 for service—Army, \$100; navy, \$100; volunteers, \$100; conscripted, \$100.

Extra annual premium per \$1000 for service in continental United States—\$50.

Extra annual premium per \$1000 for members of home defense leagues, etc.—None.

Liability of company if extra premium is not paid—Premiums paid.

NEW YORK LIFE INSURANCE COMPANY

New York City

Limit of new insurance written upon persons enlisting in the army or navy—\$5000.

Ages to which these limits apply—All ages.

Lowest-priced form of policy written—Ordinary life.

Extra single premium per \$1000 for service in army or navy—\$100.

Extra annual premium per \$1000 for service in continental United States—None.

Extra annual premium per \$1000 for members of home defense leagues, etc.—None.

Time when extra premiums are payable—Before insured leaves United States for service.

Liability of company if extra premium is not paid—On policies less than \$5000, one-fifth face amount of policy: on policies over \$5000, return of premiums paid if within two years.

Period during which extra premium is payable—One payment only.

MINNESOTA MUTUAL COMPANY

St. Paul, Minnesota

Lives upon which no new insurance will be issued—Members of navy, naval reserve or aviation corps.

Extra annual premium on lives already insured if they enter such service—\$100.

Limit of new insurance written upon persons enlisting—\$2000.

Ages to which these limits apply—All ages.

Lowest-priced form of policy written—Whole life.

Extra annual premium per \$1000 for service in army or navy—\$100.

Extra annual premium per \$1000 for service in continental United States—None.

Extra annual premium per \$1000 for members of home defense leagues, etc.—None.

Time when extra premiums are payable—31 days after entering service.

Liability of company if extra premium is not paid—Premiums paid.

Period during which extra premium is payable—Duration of war.

MISSOURI STATE LIFE INSURANCE COMPANY

St. Louis, Missouri

No restrictions are placed on military service not involving aeronautics either in time of peace or war within the continental limits of the United States except as to the disability benefits.

Extra annual premium for service outside the United States—\$100 per \$1000 insurance.

Limit of new insurance—On lives under thirty years of age, as of June 5, 1917, the limit is \$5000, inclusive of any insurance issued heretofore by the company on such lives.

Lowest price form of policy—Ordinary life.

Extra premiums are payable during service, and the liability of the company in case of failure to pay extra premiums shall be limited to the reserve on the policy.

MARYLAND LIFE INSURANCE COMPANY

Baltimore, Maryland

Extra annual premium on lives already insured if they enter military or naval service—Free permit for one year from April 9, 1917.

Limit of new insurance written upon persons enlisting—Do not accept applicants already in service or who contemplate entering service.

Ages to which these limits apply—Ages below 31, \$2000; ages above 31 to 36, \$5000.

Lowest-priced form of policy written—Ordinary life.

Extra annual premium per \$1000 for service in continental United States—None; outside of, \$100.

Extra annual premium per \$1000 for members of home defense leagues, etc.—None.

Time when extra premiums are payable—Proportion at time of entering service and on anniversary thereafter.

Liability of company if extra premium is not paid—Reserve.

Period during which extra premium is payable—Continuously.

EQUITABLE LIFE ASSURANCE SOCIETY

New York

Extra annual premium on lives already insured if they enter military or naval service—None prior to January 1, 1914.

Limit of new insurance written upon persons enlisting—\$5000.

Ages to which these limits apply—All ages.

Lowest-priced form of policy written—Ordinary life.

Extra annual premium per \$1000 for service—10 per cent of face policy.

Extra annual premium per \$1000 for service in continental United States—None.

Extra annual premium per \$1000 for members of home defense leagues, etc.—None.

Time when extra premiums are payable—On entering service.

Liability of company if extra premium is not paid—Premiums returned.

GREAT SOUTHERN COMPANY

Houston, Texas

Extra annual premium on lives already insured if they enter military or naval service—None.

Limit of new insurance written upon persons enlisting—Not accepted.

Lowest-priced form of policy written—Ordinary life.

Extra annual premium per \$1000 for service in army or navy—None.

Extra annual premium per \$1000 for service in continental United States—None.

Extra annual premium per \$1000 for members of home defense leagues, etc.—None.

HOME LIFE INSURANCE COMPANY

New York

Lives entering into military, naval or aeronautic service upon which no new insurance will be issued—Special hazards treated according to their merits.

Extra annual premium on lives already insured if they enter such service—5 per cent for overseas, military or naval service in old form of policies; 10 per cent for naval service or overseas military service in new policies.

Limit of new insurance written upon persons in the army—Commissioned officers, \$5000; noncommissioned officers, \$2000. In the navy, \$2000 for commissioned and warrant officers; \$1000 for petty officers and men.

Ages to which these limits apply—No special limits.

Lowest-priced form of policy written—Whole life.

Extra annual premium per \$1000 for service in army—\$100 outside United States; navy, \$100.

Extra annual premium per \$1000 for service in continental United States—Free permit at present.

Extra annual premium per \$1000 for members of home defense leagues, etc.—Nil.

Time when extra premiums are payable—When insured embarks for naval service or overseas military service.

Liability of company if extra premium is not paid—The reserve.

Period during which extra premium is payable—New policy provides for an extra during first five years.

Conditions as to existing business—Previous to 1907, free, by company's ruling, during present war; 1907 to 1916 and over a year in force, free under the contract.

INTER-MOUNTAIN LIFE INSURANCE COMPANY

Salt Lake City, Utah

Lives entering into military, naval or aeronautic service upon which no new insurance will be issued—Those who already carry \$2000 or over with the company.

Extra annual premium on lives already insured if they enter such service—Old policyholders, no restriction; new policyholders, \$25 in continental limits.

Limit of new insurance written upon persons enlisting in the army or navy—\$2000.

Ages to which these limits apply—16 years to 45.

Lowest-priced form of policy written—Ordinary life.

Extra annual premium per \$1000 for service in army—\$25 in continental limits; navy, not assumed.

Extra annual premium per \$1000 for service in continental United States—\$25.

Extra annual premium per \$1000 for members of home defense leagues, etc.—\$25.

Time when extra premiums are payable—On entering service.

Liability of company if extra premium is not paid—Cash value of reserve.

Period during which extra premium is payable—First ten years of policy.

Conditions as to existing business—No restrictions.

GERMANIA LIFE INSURANCE COMPANY

New York

Lives upon which no new insurance will be issued—Members of regular army or navy or persons in aeronautic or submarine service.

Extra annual premium on lives already insured if they enter such service—None if of two or more years' standing.

Limit of new insurance written upon persons enlisting—Ages 21-23, single men \$5000, married men \$7500; 24-27, \$7500 and \$12,000, respectively; 28-31, \$10,000 and \$15,000, respectively; 32 and over, company's regular limit on one life. No distinction as to volunteers or conscripted men.

Lowest-priced form of policy written—Ordinary life.

Extra annual premium per \$1000 for service in army—\$50 for service in war outside the United States; navy, \$50.

Extra annual premium per \$1000 for service in continental United States—None.

Extra annual premium per \$1000 for members of home defense leagues, etc.—None.

Time when extra premiums are payable—Within 31 days of entry in military or naval service in war.

Liability of company if extra premium is not paid—One-tenth face of policy first year; one-fifth face during second year.

Period during which extra premium is payable—For not more than two years.

The Disability Clause

Inasmuch as many life insurance companies in the United States had in their policies a disability clause, it was necessary to modify this clause. The disability clause provides, in brief, that in case of the total and permanent disability of the insured, no further premiums need be paid and the insured receives either a stated sum annually for a certain period, or a single sum. Such a clause which has come into general use during the last decade contemplated the disability which occurred during times of peace. It manifestly did not contemplate the hazard of disability which is so prevalent in war times. The following new clause to govern disability benefits was suggested by the preceding described committee:

The foregoing provisions for waiver of premiums [and for annuity benefits] in event of permanent total disability [and for double indemnity in event of death by accident] shall become null and void if the insured shall

engage in military or naval service in time of war [and the additional premium therefor shall cease to be payable]; provided that, upon the presentation after the termination of such service of evidence satisfactory to the company that the insured is acceptable for the said additional benefits, said provisions will again become operative [on payment of the additional premium aforesaid].

A modification was also made necessary in what is called the incontestable clause. This clause in the antebellum period usually provided that the policy was absolutely incontestable after one or two years for all causes except the nonpayment of the premium, and, in some companies, for fraud. It was necessary to add to the above exceptions the following modification, "or for the violations of the provisions relating to military or naval service."

The War Clause in British Life Assurance Companies

The practice of the British assurance companies before August, 1914, in respect to provisions of the policy in case of military or naval service was but little less liberal than that of American companies. In Great Britain, as in the United States, there had been a marked liberalization of the policy contract, and for much the same reasons, although legislative enactments had less influence in accomplishing this result in England. In both countries, however, there had been active competition among the companies for business, and a growing confidence among the leading classes that war on a considerable scale among civilized nations was a part of the history of the past. The English assurance companies issued "worldwide policies" to those of settled habits and of an age of 30 or over. But the outbreak of the great war changed the situation. The British offices agreed to undertake without any extra premium full liability under policies then in force on lives of civilians who volunteered for active war service, even though the particular policy contract permitted them to charge an extra premium. There was an exception in the case of the professional soldiers in the regular

army. This was the general practice. Some of the offices, as in the case of the companies in the United States, had retained a fully restricted war clause, some had modified it, and some had abolished it. There was, as in most countries, a disposition to be liberal in offering this patriotic service, notwithstanding that the added burden promised might be a heavy one for the persisting policyholders. There was some discussion, as in the other countries at war, whether the added cost ought not to be borne by the government, since the service which was being rendered and which occasioned the added cost was one for the nation, and hence should be borne, not by a part of the nation—the policyholders—but by the whole group which was to receive the benefit of such service.

Soon, however, after the outbreak of the war, a clause was adopted by most of the offices to cover the war risk. A commonly used form of this war clause in Great Britain was as follows:

The policy will be void if the assured shall, without permission of the directors (which may be obtained upon payment of such added premium, either single or recurrent, or in such reduction of the sum assured as the directors may think proper), take part in any naval or military operations during actual warfare, or in any insurrection or any expedition or operation of a warlike character, either as a combatant, or citizen, or engage in any trade, business or occupation, involving special or unusual risk to life or health, unless the fact of such engagement be mentioned in the policy.¹

It will be observed that the above war clause is more inclusive and stringent than the one adopted by companies in the United States. It has been stated that insured civilian risks, entering the war service, were generally not charged an extra premium.

For new risks, the cost was frequently made by many companies at 7 guineas on the hundred annually. This rate was largely based on the practice and experience of the South African War. In a few cases plans were devised to spread cost over a longer period. However, a few months' experience in the war disclosed that such plans would place the insurance companies

¹ *The Insurance Record*, London, September 15, 1916.

in a serious condition. The rates were therefore raised and former plans abandoned. Later with the experience of the war and the growing realization of its seriousness with respect to length and destruction of life, the rates were raised to 10 and 15 guineas, and still later the general rate became 20 guineas. In addition, the net risk was limited to £1000, or even less. At such rates, insurance is prohibitive for many or most persons, especially since the incomes of many were reduced when they entered the ranks as soldiers. Many companies later refused to accept war risks, and issued new policies only subject to a restriction, such as the following: "If the life assured should at any time during the currency of this policy engage in aviation, or in any military service outside the United Kingdom, or in any naval service, whether at home or abroad, the policy will thereupon become void. If he should in time of war leave the United Kingdom in any other capacity, the policy will be void unless immediate notice be given to the company and such extra premium as the directors may require be forthwith paid to the company." The companies in applying this, or a similar clause, have devised plans by which, instead of an extra premium, a temporary reduction in the benefit is made. Under these arrangements in many cases the amount paid at death, resulting from war or naval service, is the amount of the premiums paid, or in some cases double the premiums paid. In other cases, the sums assured, or the face of the policy, are reduced by definite amounts which increase with each year of service. In either case the policy can be restored to its full amount at the conclusion of peace, by complying with certain conditions. In all cases notice of departure in active service is required. In most cases the companies apply their conditions to the aviation, as well as to the military and naval services; and some companies have special clauses applying to civilians who depart to zones of warfare. In some cases the directors of the company must be satisfied when reinstatement of the policy to full benefits is asked with respect to the future residence and occupation of the applicant.

In addition to these general and special restrictions, many of the English companies grant policies under these limitations only on the whole-life plan, or on a limited endowment.

The Scottish Equitable returns the premium paid if death occurs at war or within six months after the return from war.

The Atlas pays double the premium as a settlement. The Phoenix reduces the sum insured one-tenth during the first year of service, and increases by one-tenth for each succeeding year of service up to the full amount assured. Quinquennial bonuses (dividends) will be paid in the case of participating policies, but no interim bonuses (dividends) are paid on claims by death during war service.

In some companies, if on medical examination the company is not satisfied as to the health of the insured, all premiums paid will be refunded. Another plan, originated by the Prudential, is deserving of notice. The Prudential quoted extra premiums for war risk, ranging from 8 to 15 guineas per cent and, if desired, arranged alternatively for a conditional reduction of the sum insured. But it also had a special plan. For all ages at entry from 18 to 45, endowment insurance for 15 years could be purchased without medical examination and covering war service. The premium payable was £1 5s for each £10 insured during the continuance of the war, and 12s 6d per £10 thereafter. The plan was limited to policies not exceeding £500.

There is a wider divergence among the war risk clauses of the British life insurance companies than among those of the American companies and British companies are charging much higher extra premiums than the American companies.

As an example of what some companies there deemed necessary, it was pointed out that three of them had reported that their extra premiums were 21 per cent of the face of the policy per year. The highest rate thus far put forth by any American company, so far as is generally known, is 10 per cent per year.

The Association of Life Insurance Presidents in 1917 addressed a communication to all the British companies, asking for copies of their war clauses, rates and mortality experience, in

so far as they were able or willing to give them. Replies were received from 49 companies, but only 28 furnished copies of their war clause. All reported that no systematic attempt had been made to gather mortality statistics as yet, all being too short handed. The conditions are shown by reply of one company: "Generally speaking, staffs on this side are so short through the war—we ourselves having lost 93 per cent of our eligibles and likely to lose more—that it is impossible to undertake any other than purely pressing necessary work." The replies of the other 21 consisted merely of printed annual reports, making only general references to the effect of the war.

The most notable feature of the replies was the wide variation in the wording and provisions of the various war clauses used. This wide divergence made any exact tabulation impossible, and even the facts given below, for exact accuracy, would in nearly every case need some qualification or modification. In a rough way, however, the following tabulation will show the principal features of the English clauses:

WAR CLAUSES TABULATED

Number of companies reporting on war clause.....	28
Companies that take no war risks.....	6
War clauses tabulated	22

The 28 companies whose war risk regulations are tabulated wrote £32,916,105 of the total of £83,462,829 new issues written by the 89 British companies in 1914, or about 39.45 per cent of total.

APPLICATION TO ARMY

Applies on entering service.....	3	
Applies on leaving Great Britain.....	19	22
	<hr/>	

APPLICATION TO NAVY

Applies on entering service.....	11	
Applies on going afloat.....	5	
Applies on leaving Great Britain.....	6	22
	<hr/>	

EFFECT ON LIFE INSURANCE

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APPLICATION TO AVIATORS

Applies on entering service.....	8	
Applies on leaving Great Britain.....	1	
Aviation not mentioned	13	22
		<hr/>

CONTINUOUS RESTRICTIONS

(Effect of service without consent)

A. Policy becomes void	4	
B. Benefits reduced:		
To gross premiums.....	2	
To cash surrender value.....	2	
To twice amount of premiums paid during war and one year after ¹	1	
To twice amount of premiums paid during war and six months after	1	
To twice amount of premiums paid during war ¹	1	
To one-tenth of face of policy for each year of war service	1	
Not stated	5	17
		<hr/>

RESTRICTIONS LIMITED

(Limited to 3 years.....)	2)
(Limited to 5 years.....)	1)
(Limited to duration of present war.....)	2)

(Effect of service without consent)

A. Policy becomes void	2	
B. Benefits reduced:		
To twice amount of premiums paid during war and one year after ¹	1	
To percentage of all premiums paid varying from one-third on whole life to two-thirds on endowment.....	1	
To gross premiums	1	5
		<hr/>
		22

Rates for War Risk

At the beginning of the war it was thought that the experience of the Franco-Prussian War would be some guide and rates of 5 per cent to 7 per cent in addition to the ordinary rates were fixed accordingly, but it was soon found that these rates were wholly inadequate and they were raised by successive stages to those quoted below, the company stating in each case that rates

¹ As all war clauses now in use have been adopted since the beginning of the war, there is no accumulated reserve lost in such cases as these.

quoted were those then in force and liable to change at any time, while six companies had withdrawn altogether from insurance of any war risks. With four exceptions, the *amount* of the extra war premium is not given in the policy, the usual expression being "such extra premium as the directors may deem necessary."

EXTRA PREMIUM FOR WAR HAZARD IN ADDITION TO REGULAR PREMIUMS

Number of companies quoting rates.....		12
21 per cent of face of policy per year.....	3	
20 per cent of face of policy per year.....	3	
17.85 per cent of face of policy per year.....	1	
16.8 per cent of face of policy per year or thereabouts.....	1	
15.75 per cent on endowment only.....	2	
12.6 per cent of face of policy per year.....	1	
10 per cent on 15-year endowments only.....	1	12

Practice in France

The life insurance companies in France had in general a war clause in their policies of insurance which provided that the policy was not forfeited in the event of military service, even though the extra premium required in the case of such service was not paid. If, however, the insured died within eight months of the cessation of hostilities, the insurance company would pay to the beneficiary only the reserve value on the policy. At the suggestion of the French Government, the insurance companies agreed to reduce the eight months limit to three months and also agreed to distribute among the insured any excess of the war premiums which had been collected to meet the additional mortality due to the war. This, of course, takes into consideration only the deaths which occur immediately, or in a brief period as a result of the war. It leaves out of consideration that excess, suspended mortality which occurs or culminates as a result of the war, some time after its cessation. The impaired vitality which results from war service will be prolonged for a time, and certainly no period such as three or even eight months will embrace all this mortality or probably even a majority of it. Such mortality will extend over a long period of years. It will

of course be quite impossible to determine in the case of that mortality which results some time after the war closes, what part of it has been due to war service, and what part has been due to the other factors affecting vitality. There is little doubt that the vitality of those engaged in this war will be greatly decreased in many cases, just as has been the case in former wars. It may well be true that an impairment of the vital forces will not be as common in this great war as in earlier wars, due to the fact that weapons of warfare are more directly fatal and that the soldier is better cared for; that is, better clothed, fed, and cared for in medical and sanitation matters. The advance in medical science will also contribute to this end. However, it doubtless remains true, when all allowance for the above stated considerations is made, that war places a great tax on the vitality of the combatants. Sentiments of patriotism and ignorance of actual living conditions surrounding war often are responsible for an exaggeration of the beneficial physical effects of service in the army and navy. It is argued that the outdoor life and back-to-nature living has a wonderful positive effect on the health of the soldier and sailor, especially for those who have lived in cities and spent their working hours in offices and shops. Doubtless there are in the case of many single individuals these positive factors on their health and vitality, but there are certain very important negative factors to counterbalance and even overcome these positive ones. From a standpoint of vitality, the effect on the whole group must be considered, and not what happens to certain individuals. Warfare can not be justified on the basis of its good effects on human vitality.

Practice in Austria-Hungary

In Austria-Hungary, the practice of the life insurance companies in their treatment of war risks differed considerably. There was an inclination at first on the part of many companies to make a distinction between the Landwehr and the Landsturm. A number of the companies assumed the war risk for the full

amount of the policy, without any extra premium up to a certain maximum amount of insurance, although there was a distinction sometimes made in this connection between the Landwehr and the Landsturm. The maximum amount of insurance for which the company agreed to be liable was in neither case in excess of \$6,000. The full risk was assumed in some companies by the payment of an extra premium. In the case of a number of companies, the full risk was assumed to one-half the face of the policy, which, of course, amounted to a reduction in the risk for the company, although not necessarily to a one-half reduction. Other companies refused to assume any part of the war risk without an extra premium, although they allowed in general the reserve value of the policy in case of death. This allowance of the net reserve value on the policy in case of death in military service was a general practice of the life insurance companies. This amount, as is well known to all elementary students of insurance, represents little or no risk on the part of the company, except in a strictly technical sense.¹

It is not necessary to review further the practice of life insurance companies in the remaining nations at war with respect to their policy contracts before and after the war, as it applied to those who entered service. The procedure in their cases was practically the same as in the countries whose practices have been described.

To summarize the situation we find:

First, that it had become a practice with many companies, preceding the war, to withdraw completely, or very decidedly modify, the clause in the policy which prevented military or naval service.

Second, that other companies retained it, but applied it very liberally.

Third, that at the outbreak of the war there was a general disposition on the part of the companies not to demand of civilians who entered the service and who had policies of insurance that they pay an extra premium.

¹ *Transactions Actuarial Society of America*, vol. xvi, 1915.

Fourth, that the companies very generally adopted a war clause and demanded an extra premium, often a practically prohibitive one for the insurance of persons who entered, or contemplated entering, the war service.

Fifth, that some companies refused to insure such risks on any terms.

Sixth, that some companies made a distinction between domestic and foreign service and also between classes of service, such as aerial, submarine, and ordinary war service.

Seventh, that even though policies of insurance were granted, the amount on a single life was limited, as well as the kind of policy which might be obtained.

Eighth, that the amount charged for this extra mortality hazard differed widely among the companies in the same country and between the companies in different countries, because of the fact that no adequate actuarial bases were at hand to determine what the charge should be. Most of the companies in the United States adopted the military and naval service restriction clause for a period of five years after the issuance of the policy, instead of ten, as was recommended by the committee of the Association of Life Insurance Presidents. This may have been due in part to the belief that the war would be well over by this time, and in part to the belief that, as a result of the war, there would be compulsory military service. In this latter event, such military and naval forces as were engaged in active service would be composed primarily of men too young to have assumed the larger responsibilities of life, and hence in the majority of cases had not become applicants for life insurance.

THE EFFECT ON THE FINANCES OF LIFE INSURANCE COMPANIES

The chief effects of the war on the finances of life insurance companies may be discussed as:

- (a) effects on the premium income;
- (b) the depreciation in the securities, held by the companies;
- (c) the increased taxation of life insurance.

Effect on Premium Income

The introduction of the war risk clause has already been discussed and its direct effects on the premium income are apparent. Whether the additional premium collected will be sufficient to meet the costs of the increased hazard and, therefore, constitute a permanent increase or strengthening of the assets of the company, only later experience can disclose. The excess mortality may place a strain on the reserves of the companies which will not be met by these increases in the premium. It is also possible that, as the war continues and economic conditions in the countries become more pressing, the demand for loans may be increased and this may unfavorably affect the finances of the companies. Up to the close of 1916, there seemed to be no evidence that the demand for loans on account of the war was increasing; nor is there so far any decided evidence of an increase in lapses and a demand for cash surrender values on policies. Either of these conditions would unfavorably affect the finances of the life insurance companies.

Another condition already prevailing to a limited degree and to a certain extent promised to be of wider application, if the war should continue long, is the moratorium for soldiers and sailors in the case of insurance premiums. This might very seriously affect the finances of the companies. In England, as early as August, 1914, Parliament passed an act preventing the lapse of any policy of insurance, except after a due application to the court. The act applied to life and endowment policies for an amount not exceeding £25, or payments equivalent thereto, the premiums in respect to which are payable at not longer than monthly intervals, "and had been paid for at least two years preceding August 4, 1914."¹ This act was intended to apply to industrial policies of insurance in particular. The court was given absolute discretion in the matter, and if on application of the insurer for a lapse of the policy, it should appear that the failure to pay the premium was due to circumstances attributed

¹ Acts of Parliament, Chapter 78, *Manual of Emergency Legislation*.

directly or indirectly to the war, the court might "by order stay, execute or defer the operation of any such remedies as aforesaid—distress, taking possession of property, et cetera—for such time and subject to such conditions as the court thinks fit."

In the United States a bill with a much wider scope and known as the Soldiers' and Sailors' Civil Rights Bill has passed the House of Representatives and was under consideration by the Senate at the close of the special session in October. The bill prevents the enforcement of the ordinary legal claims for pecuniary obligations against the soldiers and sailors during their absence in the service of the nation. The general purpose is to protect the family and dependents against the many hardships which would result from enforcing the ordinary legal claims for rent, food, clothing, and other necessities of life. The connection with life insurance is evident. Under such a law a company could not enforce payment of the premium, nor could the policy be lapsed for the ordinary failure to pay premiums when they are due. The adjustment of the overdue premiums is postponed to a period after the soldier or sailor returns to civil life.

Such a procedure would doubtless serve the ends of abstract justice so far as these individual policyholders are concerned, but the circumstances are not so simple as might at first be supposed. The life insurance companies, as has been shown, depend upon a volume of current premium receipts to pay to a certain extent the daily maturing claims. It does not keep its funds locked up in a strong-box, but, on the contrary, has them invested in long-time investments which by their interest accumulations reduce the cost of insurance for all policyholders. If this moratorium principle should be generally adopted in the various countries at war and used by large numbers of policyholders as a means of defaulting their insurance premiums, serious consequences might result to the business of life insurance. Even from the standpoint of the individual policyholder who is to be served, the gain would not be a clear one. Nothing so contributes to lapses and surrenders as back premiums. It

engenders a state of mind in the policyholder favorable to lapsing. If several back premiums are due, the sacrifice necessary to be made to pay them seems either too difficult or scarcely worth while, and the policy is permitted to lapse.

The most superficial acquaintance with the multiplicity of forms of life insurance that have been developed in this country, and of the conditions affecting the status of great classes of policies, is enough to make clear the necessity of the most expert handiwork in devising a moratorium in respect of life insurance premium payments which will not bring about incalculable harms in all directions. It is self-evident to the life insurance expert that the adjustment of a moratorium to term policies, for example, should be quite different from the adjustment to ordinary life policies, and this again from the adjustment to endowment policies. Policies without restriction as to the war risk should be treated in one way, those with a restriction in another way, and those carrying an additional war risk premium in still a third manner. The age of the policy and the amount of the reserve accumulated against it is an all-important factor; and even more important is the proportion of the reserve that has already been drawn down by the insured as a policy loan. A sound and beneficial moratorium affecting the payment of life insurance premiums should take all these matters into consideration; otherwise it runs the risk of producing unsuspected effects of the most harmful character.

The Depreciation in the Securities of Life Insurance Companies

One of the most important effects of the war on life insurance is the depreciation which has occurred in the securities in which their funds are invested. It is well known that a life insurance organization is one which accumulates large funds, held in reserve on account of the practice of paying for the cost of the insurance by a level premium, instead of paying by a premium the annual cost of insurance. The officials of the companies are, therefore, occupying the positions of trustees for these large

sums which have been advanced, or which are held in the case of instalment payment of matured policies for periodic payments to the beneficiary. There is little need for the life insurance company to hold a large amount of this reserve fund in cash, since the current receipts of premiums and the maturing interest on invested funds supply a considerable amount of cash from which to pay current liabilities. The officials are, therefore, seeking all the time to invest these funds in securities maturing at a distant date and bearing a satisfactory rate of interest. That is, the assets are not primarily liquid, and security of the investment is the first test to apply in deciding on an investment for a life insurance company. The laws in many cases limit the character of the investments and also require from time to time a valuation of the assets. Prudence on the part of the officials is thus supplemented by legislative requirements. Bonds, mortgages, and other high grade securities of governments, transportation companies, and other industrial concerns embrace the major portion of the investments of the life insurance companies. When the valuation of the assets of the companies is made, the appreciation or depreciation of these securities has an important bearing on the financial condition of the company. In the United States, the requirements governing the valuation of the assets are made by the separate states, but are similar. In all cases each company must have on hand assets at least equal to the contractual liabilities under the policies. Since it is the market value or quoted value of the securities at the time of valuation which is usually considered, a fall in security values affects directly the assets of the life insurance companies. In the United States, there has been no such marked depreciation in the securities of the life insurance companies as in the case of some of the European nations. It is true that because of the generally disturbed conditions in the country, due in part to the war, certain securities of the companies in the United States had been affected. But the depreciation in other particulars was due to other causes, such, for example, as the fall in value of many of the railway securities,

due to the period of depression in United States railways. Not a small factor in contributing to the depression in security values, both in the United States and abroad, has been the situation on the stock exchanges. The closing of these exchanges for a time and the restricted basis on which trading was done—all of which was a result of the disturbance in security values—affected the life insurance companies. The financial dislocations due to the war were worldwide. The large holdings of American securities in Europe and the shifting of their control and ownership greatly affected their value.

It is quite true that the assets of life insurance companies have not in some cases been unfavorably affected by the condition of the security market. Indeed, in the case of some investments, the war has had no effect. The following table shows the distribution of the assets of life insurance companies at the close of 1916, as reported to the Insurance Superintendent of New York:

Real estate	\$149,784,474.02
Bonds and mortgages	1,651,012,014.11
Stocks and bonds	2,377,982,416.97
Collateral loans	9,798,501.64
Loans on policies to policyholders.....	693,054,070.20
Premium notes and loans	29,236,824.53
Cash in office, banks and trust companies.....	84,862,298.82
Deferred and uncollected premiums.....	69,325,493.69
All other assets	79,568,383.39

The following table indicates the price movements since the outbreak of the war of a selected number of bonds of corporations of the United States:

PRICE MOVEMENT OF 40 BONDS

	High	Low
1917.....	89.48 Jan.	86.68 Mar.
1916.....	89.48 Nov.	86.19 Apr.
1915.....	87.62 Nov.	81.51 Jan.
1914.....	89.42 Feb.	81.42 Dec.
1913.....	92.31 Jan.	85.45 Dec.

It will be observed that there has been a general fall in these prices. This fact is further made clear by the following table:

Year	Rate of Yield Percentage		Year	Rate of Yield Percentage	
	Indus- trial Bonds	Rail- road Bonds		Indus- trial Bonds	Rail- road Bonds
1903.....	5.69	4.10	1911.....	5.17	4.21
1904.....	5.81	4.05	1912.....	5.18	4.26
1905.....	5.19	3.91	1913.....	5.40	4.49
1906.....	5.18	4.01	1914.....	5.72	4.53
1907.....	5.76	4.30	1915.....	5.12	4.72
1908.....	5.90	4.30	1916.....	5.25	4.54
1909.....	5.16	4.08	1917 (as of June 1)	5.23	4.91
1910.....	5.25	4.21			

This list of the rates of yield of ten selected industrial bonds and of twenty selected railroad bonds covering the past fifteen years, shows that not only have *railroad bonds pretty steadily declined so that bonds which yielded 4.10 per cent in 1903 declined in June of this year to a price showing a yield of 4.91 per cent*, but also, what is very significant, that the industrial bonds, which at the beginning of the period showed a yield of 5.69 per cent, during the same period *increased in price* so that on June 1 of this year they were selling at a price showing a yield of 5.23 per cent.

War Finances of English Companies

In England the life assurance companies have also been affected by the depreciation of securities. It is not possible to form a close estimate of the amount of this depreciation in all cases. The companies are required to make a quinquennial valuation of their assets, but the Board of Trade permitted the companies to use the values at the end of 1913; but since many offices value at other times also, it is difficult to separate the causes of depreciation due to the war and those due to causes preceding the war.

Mortgages, loans on rates, property and ground rents, life interests, reversions, and various other securities are valued in

different ways since the war, and are affected in different degrees by the war. It will be understood from the above statement that the assets of English life companies are invested in many more different kinds of securities than is the case with American companies.

The heavy depreciation in security values made such inroads into the surpluses of the English companies that practically all of them had to reduce their rate of dividends, and in some cases no dividends were declared. Some of them assumed a higher future rate of interest, and thus, for the time being, modified the result of the valuation on the old basis. The surplus was thus protected, but there is some danger in such a plan. There is no assurance that the normal amount of new income from premiums, old or new, will be received during the war, and the securities held could not profitably be marketed in large amounts and the proceeds invested in the new and higher interest-bearing securities which were being placed on the market. Many of the companies, as in the United States, had assumed a very moderate rate of interest in calculating their premiums, and hence earned an actual rate of interest well above it. This made possible large additions to the surplus and for the distribution of dividends. The situation is presented by a writer as follows: ¹

But the latest Budget proposals have made the most cautious valuations appear none too stringent, owing to the fact that in the case of life insurance companies the income tax is levied not upon the profits of the business, but upon the investment income. Broadly speaking, a life insurance society, when investigating its financial position, ascertains what amount of invested funds, derived from the balance of unexpended premiums received in the past, will produce an income sufficient, when added to the premiums still to be received under its existing contracts, to meet the liabilities under these contracts as they fall due. The amount by which the actual funds in hand exceed the estimated amount so determined, is regarded as surplus. As the whole of the investment income of a life insurance company is subject to income tax, an increase in the rate of the tax is equivalent to a reduction of the future income which it may assume it will receive, and as a company's liabilities in respect of the face value of its policies, both with-profit and non-profit, remain unchanged, the effect is to throw the whole burden of the increased taxation upon the surplus available for the bonuses of the

¹ *The Economist*, London, vol. lxxxiii, 1917.

with-profit policyholders. Consequently, the popularity of the with-profit policy appears to be gravely threatened, while those offices which in the past have cut their non-profit rates down to very low figures may find that they can not afford to be as liberal as they thought they could.

It may be argued that, whereas very few offices assume an average future rate of interest in excess of 3 per cent per annum, an ample margin is provided by the fact that they can now invest money in safe securities to return 5 per cent or more. But the bulk of their funds has not been invested upon such good terms, and in not many offices more than $4\frac{1}{2}$ per cent upon the whole of their funds. The present rate of tax reduces $4\frac{1}{2}$ to $3\frac{3}{8}$ per cent for life insurance purposes, and $\frac{3}{8}$ per cent is an extremely narrow margin out of which to provide for the bonuses which every with-profit policyholder has a right to expect in return for the substantially higher premium he pays.

But for the tremendously strong position in which most life insurance companies have stood until now as the result of their sound and cautious management in the past, the situation would be intolerable. If any appreciable part of their funds had been locked up in securities which had defaulted owing to the war, or to any other cause, the inequity of the present system of assessment would have brought itself so prominently before public notice as to call for immediate relief. As it is, the very strength of the companies makes reform the more difficult to secure.

The trouble arises partly from the fact that the greater part of the tax is collected by deduction at the source, and therefore any relief has to be by way of repayment—always a matter of difficulty. In the case of banks who subscribed very largely to the $4\frac{1}{2}$ per cent war loan, a somewhat similar situation was recognized and relieved in the second Finance Act of 1915, which provided that a bank might include interest on war loan as part of its profits instead of being taxed by deduction at the source, thus preventing a larger total payment of income tax than would be represented by the assessment of its total profits. Some alteration of the system of assessment of life insurance companies is certainly called for.

The following table shows for the leading English assurance companies the depreciation in their assets, based upon the valuation of 1914 and 1915.¹

¹ *The Economist*, London, February 24, 1917, vol. lxxxiv, No. 3835.

FINANCES OF LIFE COMPANIES IN ENGLAND

Quinquennial Valuation in War Times

Company	Date	Funds	Interest	To Insurance Reserve	Depreciation and Investment Reserve	Depreciation per cent of Interest
Atlas	Dec. 31, 1914	£ 2,219,946	£ 420,754	£ 60,000	£ 152,984	36
Equitable	" "	4,911,512	894,586	.....	343,196	38
Equity & Law	" "	4,987,118	737,942	50,000	142,713	19
Guardian	" "	3,602,707	696,420	100,000	158,863	23
Gresham	" "	10,309,966	1,685,053	50,000	85,448	5
Law Union & Rock	" "	4,090,532	805,921	60,052	85,079	11
Marine & General	" "	2,080,532	394,958	80,000	128,022	32
Royal	" "	10,655,580	1,912,703	100,000	100,000	5
Scottish Union & National	" "	4,202,555	765,787	.....	201,962	26
Yorkshire	" "	2,595,435	444,874	32,603	32,603	7
University	Apr. 30, 1915	952,120	189,718	25,000	53,896	28
Total	1914	£ 50,668,003	£ 8,949,406	£ 557,745	£ 1,484,766	17
English & Scottish Law.	Dec. 31, 1915	£ 2,632,673	£ 548,960	.....	£ 218,772	40
General Accident	" "	191,072	24,250	£ 5,880	11,670	48
London Association	" "	2,683,516	510,065	.....	146,747	29
North Brit. & Mercantile	" "	14,125,257	2,781,852	1,090,000	1,135,021	41
Northern	" "	4,083,752	766,419	.....	478,858	62
Phoenix	" "	3,577,572	603,842	.....	155,041	26
Royal Exchange	" "	3,865,192	689,415	.....	172,000	25
Scottish Amicable	" "	5,998,490	1,172,873	.....	701,450	60
Scottish Insurance	" "	321,147	50,260	.....	19,923	40
Scottish Life	" "	2,180,665	397,588	.....	147,948	37
Standard	" "	13,442,816	2,765,613	.....	163,651	6
United Kingdom	" "	9,755,158	1,850,092	250,000	982,144	53
Life Association	Apr. 5, 1916	5,538,790	1,140,762	50,000	406,453	36
Clergy Mutual	May 31, 1916	4,336,115	856,469	.....	525,723	61
Clerical Mutual	June 30, 1916	6,190,991	1,124,577	.....	391,190	35
Norwich Union	" "	11,529,332	2,035,687	.....	527,030	26
Total	1915	£ 90,392,448	£ 17,318,133	£ 1,395,880	£ 6,183,621	36
Total	1914	50,668,003	8,949,406	557,745	1,484,766	17
Total	War	£ 141,060,451	£ 26,267,539	£ 1,953,625	£ 7,668,387	29

It will be observed that there was a marked tendency to transfer large amounts to the investment reserve, so that a final disposition of these funds could be made when the financial situation has become less complex. These transfers to the reserve were required for the purpose of writing down the securities to the market value at the time of the valuation.

In order that a general idea of what this depreciation means for the assurance companies which, as has been stated, have their funds widely distributed, the following table of the leading English securities is given for various years.¹

The following is a table which indicates the course of government securities:

	Average Price		Average	Present
	Jan.-July	1914	1915	Price
British Consols	77	62	58½	55
India 3½ per cent (1931).....	88½	82	73	66
Transvaal 3 per cent (1923-53)...	92	88	76	67½
Canada 3 per cent (1938).....	85	84	74	68
New South Wales 4 per cent (1933)	100¼	97	88	82

The aggregate par value of above five bonds is \$3,300,000,000. The decline in their total market value since 1914 amounts to more than \$675,000,000. All listed government and colonial bonds and debentures have declined proportionately with the decline shown in the table. Total listings of government and colonial loans, not including war loans, other than the 3½ per cent loan of 1914, amount to \$9,000,000,000. During the three year period of war they have declined in market value approximately \$2,000,000,000 or 22 per cent.

British investments in the foreign railway field have been very large. Practically the entire railway mileage of South America is under British management and control and British interests spread to Africa, the Far East and throughout the entire Colonial Empire. The following shows the course of six overseas railroad stocks:

	Average Price		Present
	Jan.-July	Average	Price
	1914	1916	
Buenos Aires Great Southern Ry. (Ord.)..	111	82	73
Central Argentine Ry. (Ord.).....	100	76	58
Rhodesia 4 per cent Debentures.....	85	68	62
Grand Trunk Ry. of Canada (Ord.).....	20	10½	9½
Grand Trunk Ry. of Canada Guar. 4 per cent	83	63	59
Bengal & North Western (India), (Ord.)..	154	121	115

¹ *Journal of Commerce*, October 19, 1917.

The aggregate par value of the above six stocks and debentures is \$480,000,000. The decline in market value of these stocks is \$135,000,000.

The shares of the larger banks of Great Britain are favored forms of investment with the British public and enjoy considerable activity on the stock exchange. Quotations of four of the most important bank stocks are shown in the following table:

	Paid in	Average Jan.-July 1914	Average 1916	Present Price
Lloyds Bank	£8	£30 (375%)	24½	£24 (300%)
London City & Midland.....	2.10s	9¾ (390%)	7¾	7½ (300%)
London County & Westminster	5	21½ (430%)	15	14½ (290%)
Union of London & Smith's..	15.10s	34 (221%)	24½	23½ (152%)

The aggregate par value of the above bank shares is about \$400,000,000. Their decline since 1914 has exceeded \$100,000,000, or 25 per cent of the total market value before the war. Of the forty leading banks whose shares are listed in London, thirty-six have declined, and four, all of which are doing business abroad, have advanced, all of these advances being nominal.

The iron, coal and steel ordinary stocks form a class of securities which has naturally profited from the war. Iron and steel companies have given their almost undivided attention to government business and, as most of these concerns are running twenty-four hours a day, substantial increases in profits, despite higher raw material costs, have been realized. Quotations of six of the most important of these shares follow:

	Par of Shares	Average Prices Jan.-July, 1914		Average 1916	Present Price	%
Armstrongs	£1	40s 6d	202½	39s	39s	195
Babcock & Wilcox (British).....	1	2½	287½	2¾	3½	312
Pease & Partners ..	10	13	130	15	16	160
Powell-Duffryn Coal	1	2½	262½	3½	2¾	275
Vickers (Ord.)	1	37	185	37	38s 3d	191
John Brown & Co., Ltd.	1	21	105	24	34	170

The aggregate par value of the securities mentioned above is about \$80,000,000 and the advance in market value is about \$9,000,000, equal to about 11¼ per cent. Debentures and preference stocks of the six companies, as per table, have declined to such an extent that the actual value of all securities of said six companies is less than in 1914, despite larger average profits and higher ordinary dividends.

Despite the alarming losses met with by the various steamship companies, the large number of ships requisitioned by the government and the excess profits war taxes, the profits of the business have been enormous. Advances

in common stocks of these shipping companies have been quite large, although not comparable with the advances recorded in American steamship shares. All of the investment securities of these companies, debentures and preference shares, have, however, declined in common with securities of like character of other branches of industry.

There follows a table indicating the 1914 and present prices of the shipping companies' securities:

	Par Value £	Average Price, Jan.-July, 1914		Average 1916 £	Present Price	
		£	%		£	%
Cunard Line (Ord.)	1	1½	162½	4	3¾	375
Furness, Withy & Co. (Ord.) ...	1	1½	137½	2½	2¼	225
Peninsular & Ori- ental (Ord.) ..	100	295	295	310	323	323
Royal Mail Steam Packet	100	92	92	116	114	114
Anchor Line 5½ per cent Pfd.	10	10½	105	9½	9	90
Ellerman Line Pfd. (Ord.)	10	10½	105	9½	8¾	87½
Cunard Line Pfd. (5 per cent cum.) ..	100	102	102	92	86	86

The aggregate par value of all shipping shares listed on the London Stock Exchange is approximately \$280,000,000, of which approximately \$90,000,000 (32 per cent) represents common or ordinary stocks. This class of securities has probably advanced \$45,000,000, or 50 per cent, whereas preference and debenture stock and bonds have declined not less than 15 per cent to 20 per cent, equal to from \$28,500,000 to \$38,000,000.

It is to be understood that a life insurance organization seldom is required, or chooses, to sell its securities. The investments are not made with the idea of a later sale. It is, in other words, the investment value and not the speculative value which determines the purchase for the life insurance company. Under normal conditions the current premiums and the interest accumulations exceed the current liabilities; that is, payments to policyholders and operating expenses. There is thus a constantly new supply of funds for investment, and to the extent that this is true during the present conditions of war with the prevailing higher rates of interest on many securities, the depreciation in the old securities is counteracted.

In the case of those securities whose value has been written

down, there is, it is true, a chance that they will later appreciate in value and also that securities now being purchased may increase in value. There is, however, no absolute assurance that there will be an appreciation. There may be a further depreciation in some or many of them. The depreciation in the security values of the investments of life insurance companies, both in the United States and in Europe, had been occurring in the case of many of these securities long before the war opened. The life insurance companies seldom take credit for increases in the value of their securities until they are actually realized.

The result is that they yield a higher rate of interest upon the low values assigned to them. The process of writing down the capital value of securities may be carried too far under the present conditions. Another method which permits of easier adjustments to changed conditions in the security market is to create investment reserves, which can be released to policyholders when the improved conditions indicate that such a reserve is no longer necessary.

Participation in Government Loans

Another factor which has affected the finances of life insurance companies is their participation in government financing. Both in the United States and in Europe these companies have been called upon to aid the government in its loans. In the first government loan in the United States, seventy-two life companies reported subscriptions to the amount of \$54,005,000, and it is probable that the total subscription was at least \$60,000,000. In the second loan the reported subscriptions were \$83,125,000, and it is perhaps safe to state that the complete statistics will show a subscription of \$100,000,000. In England, for the first four government loans, the British Life Offices had invested in government securities £75,000,000. They had sold or loaned to the Treasury, under the plan of pledging securities, over £46,000,000. Even before the plans of the Treasury for the pledging of securities to protect the exchange had been developed,

the life offices had sold in the open market large blocks of securities, many of which finally passed into the control of the Treasury and thus accomplished the purpose of protecting the rate of exchange, even though they did not come under the direct control of the Treasury. One writer estimates this latter amount at £20,000,000.

In the British war loan of practically £1,000,000,000, issued in April of 1917, incomplete statistics show that the British insurance companies subscribed £116,814,250, almost 12 per cent of the total loan, and the larger part of this subscription was made by the life offices.¹

The Prudential Assurance Company, the largest of all life insurance companies in Great Britain, subscribed the enormous sum of £25,000,000 to the so-called Victory War Loan. This company has also developed a plan which may increasingly be used by other life insurance companies, under which there is a combination of life insurance and war bond subscription. The plan is briefly described as follows:²

The activities of the Prudential Assurance Company in connection with the financial and other phases of the war are legion, and the latest scheme bids fair to be an important contributory factor towards the success of the new war loan. The National War Bonds which were offered can not be paid for by instalments, and the smallest denomination is £50. Although there will be a Post Office issue in amounts of £5 and upwards, there is therefore an opening for an appeal to the individual who may expect to have moderate amounts available at regular intervals for investments and, further, may prefer to postpone to a later date his choice between the five, seven and ten-year bonds. The *modus operandi* is quite simple. Rates of premium are quoted for endowment assurances payable in five, seven or ten years; and the company, which already holds over £25,000,000 of "Victory" War Loan, undertakes to make purchases of the new bonds to the full amount of the assurance effected. The premiums paid are, indeed, an indirect subscription to the new loan, while they purchase in addition life assurance protection during the currency of the policies.

As an illustration, take the case of a man aged forty-three next birthday who obtains a seven-year "National War Bond Policy" for a £200 bond, for which he pays an annual premium of £27 10s. 8d. On October 1, 1924, he may at his option take the cash value of the seven-year bond which will

¹ *Journal of the Institute of Actuaries*, vol. 1, pt. iii, No. 267.

² *Post Magazine and Insurance Monitor*, October 13, 1917.

then have matured, *viz.*, £206, or he may receive a ten-year bond for £200, on which he will receive £10 interest each year until October 1, 1927, and £210 on that date. If he dies during the currency of the policy, his representatives will have the option of taking a seven-year or a ten-year bond for £200 together with current interest. This does not exhaust the attractions of the policy, for if during its currency the death of the assured is caused by aircraft or shells or missiles discharged thereat and takes place within one week of the injury, the death benefit will be doubled, two bonds being handed over for every one otherwise receivable. Further the income tax authorities allow a rebate in respect of premiums paid on the policies.

No medical examination is required, but only healthy lives are accepted at the tabular rates. In the event of the death of the assured whilst engaged in naval or military service afloat or outside the United Kingdom, or in aerial pursuits, all premiums paid will be returned with compound interest at 5 per cent, instead of the benefits otherwise assured.

Taking the income tax rebate into account, it is calculated that the compound interest obtained on the premiums invested is equivalent to that obtained from a stock exchange security on which the yield, subject to income tax, is £4 per hundred per annum for the five-year policy, £4 16s. 8d. per hundred per annum for the seven-year policy and £5 13s. 4d. per hundred per annum for the ten-year policy.

Proposals will be accepted for bonds of £50 and any multiple thereof. It will, of course, be understood that where the purchaser exercises his option of securing a bond for a longer period than that originally selected it does not involve the payment of further premiums.

In addition to the subscriptions of the ordinary life offices in England, the Friendly Societies have subscribed to these loans an amount estimated to be beyond £2,000,000. In addition there has been a subscription by life offices to the government loans in the Allied nations. In the Canadian loan of 1917, the life companies of Canada subscribed at least \$28,120,000, and in Australia to the loan of April, 1917, the sum of £2,513,500 was subscribed by Australian life offices.

In Germany the life insurance companies have likewise been of inestimable service to the government in financing the war. The Imperial Insurance Department states that the life insurance companies subscribed to the first four government loans more than 850,800,000 marks.¹ It is also estimated that policyholders, through the efforts of the life insurance offices, subscribed more than 633,418,000 marks to these loans. At the outbreak of the

¹ *The Economic World*, n. s., vol. xiv, No. 9, p. 313.

war, the investment in the German loan was considered good, since it bore an interest rate in excess of 5 per cent and many in Germany believed that the war would be of short duration. It is reported that with the duration of the war and its promise of a long continuation, some of the German life companies have attempted to unload their war securities. Some of the German companies have invested in the securities of neutral nations, the Gotha Life, reporting that it had attempted to purchase a large amount of Swiss and Danish loans, but had been awarded only one-tenth of the amount for which it had applied.

The leading companies in Germany organized at the outbreak of the war a stock banking corporation, known as the Bank of German Life Insurance Companies. It was stated that the purpose of this organization was to protect the companies which might threaten to become bankrupt on account of the high war losses. But up to September, 1917, only one German life company has been in such serious financial difficulty as to require aid from this organization. Aid of various kinds has, however, been rendered to the life insurance companies by this central organization. The capital stock of this insurance bank has been invested in war loans.

The situation in the other countries at war has not been different with respect to the great aid which has been given to the government in its war financiering. From a strictly financial viewpoint, the important point in this practice of the life insurance companies in aiding the government is one of interest return on these loans. It will be observed that in England the life offices have participated in government loans to a much greater extent than the companies in the United States. The British loans have borne a higher interest rate than those yet issued in the United States, and the margin, therefore, between the interest actually earned on the old investments and these new government loans is less. In the United States the average earnings of the life insurance companies have been as follows:

The average rate of interest earned in 1916 upon the total investments of twenty-nine of the largest life insurance com-

panies in the United States was 4.91 per cent, while the average yield obtained for the past twenty years is 4.78 per cent. The lowest average yield recorded for these companies during the past twenty years was 4.58 per cent, the figure for 1902.

The interest rate borne by the Liberty Loan bonds, therefore, was a most serious impediment to the really effective participation of the insurance companies in the flotation of that loan. The life insurance companies alone through their own investments in the bonds and through the investments which they themselves procured from their policyholders and other persons, and which their agents acting in an associated capacity procured, certainly took care of over \$100,000,000 of the issue.

The United States government war loans bear an interest rate of 4 per cent, and it will be observed that that is less than the life companies on the whole have been able to realize. It should be pointed out that the preceding rates are average earnings, and therefore the return on the government war loans is considerably less than that which some of the companies have been able to earn. The interest element in life insurance finance is a very important one, since the amount of invested funds is a very large aggregate and even a difference of one-half of one per cent in the net earnings on this large fund may have a very great consequence to the policyholders.

Another factor which has an influence on the finances of life insurance companies and is especially important in connection with the subject of subscriptions to government loans and the net interest realized, is the manner in which life insurance is taxed.

Taxation of Life Insurance as Affected by the War

The life insurance officials in all countries have long objected to the taxation of life insurance in many of its forms, even under the normal conditions of peace. It is maintained that a tax on insurance is a tax on thrift, and even though granting that all taxation is of this essential character, it is said that the thrift

displayed in connection with life insurance is of a peculiar character, which takes it out of the category of proper subjects of taxation, inasmuch as the insurance policy is a protection to dependents and serves the state, in that it makes possible the proper preparation of young for service and at the same time relieves the state from caring for dependents. Whatever may be the merits of the controversy, life insurance has been subjected, along with the other ordinary objects of taxation, to the higher rates of levy. This can be considered as a reduction in the net return on the investments which, as has already been shown, have heavily depreciated in value in many cases. It is of course to be understood that the investments in government securities are in most cases exempt from taxation as such, and hence to this extent such investments by the insurance companies have their face value increased in comparison with the investments in the securities of private corporations.

In the United States, the war revenue acts provide for many additional taxes.

The taxes levied upon insurance by the new law may be divided for the sake of convenience into two classes, (1) those common to all insurance institutions, whatever the kind of insurance written by them, and (2) those that apply specially and severally to the different kinds of insurance. The taxes common to all insurance companies may first be discussed.

To begin with, as stated above, all insurance companies or associations (except fraternal beneficiary and mutual benefit associations, which remain exempted under the provisions of the law of September 8, 1916) must pay an aggregate tax upon their income for the calendar or for their own fiscal year, as the case may be, of 6 per cent—2 per cent under the law of September 8, 1916, and 4 per cent additional under the present law.

Second, like all other corporations, besides copartnerships and individuals, insurance companies or associations are subject to the steeply graduated war excess profits tax, which begins to apply after an extremely modest percentage of income to capital

has been reached, and which amounts to 20 per cent of the increment of profits between this low exemption and an amount equivalent to 15 per cent on the invested capital; 25 per cent of the increment between 15 per cent and 25 per cent of the invested capital; and so on, up to 60 per cent of all profits in excess of 33 per cent of the invested capital. This tax, however, does not apply to the business of life, health and accident insurance combined in one policy and issued on the weekly premium payment plan. It may be said in passing that no one can tell in advance of the rulings of the Treasury Department what the "invested capital" of the different kinds of insurance companies—stock, mutual and partly stock, but predominantly mutual—will be taken to be for the purposes of the war excess profits tax; while still greater obscurity obtains as regards the definition of that income of insurance companies that is to be treated as profits or "excess profits."

Third, insurance companies appear to be subject to the peculiar provision of the War Revenue Act which levies an additional tax of 10 per cent upon income received during the tax year but remaining undistributed for a period of six months after the end of the calendar or the fiscal year, as the case may be—though this tax is not to apply to that portion of the undistributed income which is actually invested and employed in the business, is retained for employment in the reasonable requirements of the business, or is invested in obligations of the United States issued after September 1, 1917.

Fourth, in the case of the organization or reorganization of insurance companies on the stock plan, a tax is payable of 5 cents on each \$100 of face value, or fraction thereof, of the certificates of stock that may be issued. The cost of the transfer stamp tax on certificates of stock already issued is, of course, borne by the individual seller of the stock and not by the company.

Finally, mention should be made of the important addition to the operating expenses of insurance companies through the increase of the postage rates provided by the War Revenue Act. Although this is not in terms a tax imposed upon the com-

panies, it is to all practical intents and purposes a tax, and one whose aggregate amount will run to very considerable figures.

Turning now to the special taxes for the different branches of insurance, we may schedule these taxes as follows:

Life Insurance.—A tax equivalent to 8 cents on each \$100, or fractional part thereof, of the amount for which any life is insured under any policy of insurance—provided that on all life policies by which a life is insured not in excess of \$500, issued on the industrial or weekly payment plan, the tax shall be 40 per cent of the first weekly premium. The taxes just described do not apply to reinsurances.

Fire and Marine Insurance.—A tax of one cent on each dollar or fractional part thereof of the premium charged under each policy of insurance. Policies of reinsurance are exempted from this tax.

Accident, Health, Liability, Workmen's Compensation and Miscellaneous Insurances.—One cent on each dollar or fractional part thereof of the premium charged under each policy. Not applicable to reinsurances.

Surety Bonds.—On bonds of personal indemnification or written on executory contracts, a flat tax of 50 cents; but where a premium is charged for the bond, then one cent on each dollar or fractional part thereof of the premium so charged. Not applicable to reinsurances.

At first sight, the policy taxes created by the war revenue bill do not appear so very onerous. On life insurance policies, the tax is 8 cents on each \$100 or fractional part thereof of the face of the policy—a little more than .08 per cent, when account is taken of policy additions, which are generally less than \$100 in amount, but upon which the full 8 cents must be paid. This increment, however, is relatively small, and it is correct within a small margin of error to say that the tax will yield .08 per cent upon the aggregate amount of new life insurance written annually by the regular life insurance companies—fraternal beneficiary associations and similar insurance organizations having been exempted by the terms of the bill. In 1916, according to

the compilation of *The Spectator*, of New York, the aggregate amount of new life insurance—regular and industrial—written by United States companies was \$4,258,559,220, upon which a tax at the rate of .08 per cent would yield \$3,406,847.

It is presumably expected that the insurance companies will pass on to the insured the taxes on the policies of the latter, but it is a well known fact of experience that imposts of this kind are extremely difficult to collect from customers under the conditions of competitive business, except they take the form of stamp taxes, which, curiously enough, the majority of people do not greatly demur at paying, perhaps because of the visible evidence that the charge is really a tax.

Nor is this all, for insurance companies will be subjected to greatly enhanced expenses by tax provisions, other than those mentioned as specifically applicable to them or their business, which will none the less directly or indirectly affect them. Thus the increase of letter postage from 2 cents to 3 cents per ounce and the postal card rate from 1 to 2 cents will add very materially to the aggregate cost of carrying on the insurance business. The same is true of the taxes on telegraph and telephone messages; and more than one of the documentary stamp taxes will be found to come into play. The tax of 5 per cent on the cost of advertising or advertising space other than in newspapers and periodicals will also cut some figure in the annual expense of the insurance business.

In the revenue legislation of England life insurance has been subjected to increased taxation, which has been changed from time to time. Interest earning has been one of the common bases for taxation, although the companies have maintained that they should be taxed only on their actuarial surplus. The government agreed to this contention, only to the extent of permitting a deduction for expenses. Expenses differ greatly in different companies and there is always some difficulty in deciding what is to be allowed as expenses. It was stipulated under the above agreements that life offices which transacted other kinds of insurance should separate their expenses, since previ-

ously they had been assessed on the profits of the business as a whole, inasmuch as the profits as a whole were greater than the net earnings. Under the act, fire departments of composite companies were to be taxed on their fire profits, because they are greater than the net interest earnings, and life departments were to be taxed on the interest earnings.

A change was also made by the act of 1915 with respect to limiting the amount of the premium on which abatement of the income tax was permitted. This allowance was fixed at 7 per cent of the actual capital sum assured, whereas before, the only restriction was that the premium for which abatement was claimed should not exceed one-sixth of the total income. The purpose of the change was to prevent the plan of paying large premiums for short term endowments, which had been developed as a plan of insurance under which the policyholder could escape the increasing income tax rates. There was also in the act a limit of £100 placed on the amount which might be paid "to secure other benefits" for which an exemption in the income tax law might be claimed. This referred chiefly to the purchasing of annuities.

On any policy that contains a provision for life insurance, there is an exemption from the income tax up to 3s. in the pound, but not beyond, and in no circumstances is there an exemption from the super-tax if the income exceeds £3000. The preceding discussion will indicate sufficiently how the life insurance companies are affected by this increased taxation and its relation to the rate of interest on their investments.

If, therefore, a summary of the more important effects of the war on the finances of life insurance companies is made, the following positive and negative influences are found to prevail:

As positive or favorable influences:

- (a) The increase in premiums, received by those whose policy contained or had inserted in it a war clause. Whether this is ultimately, as contrasted with the immediate effects, a positive factor, will depend upon the actual mortality experience of war risks as compared to the expected.

- (b) The writing down of the security values which has been in progress in some companies and the resulting increase in interest return, as well as the possibility of a future increase in the actual value of these depreciated securities.
- (c) The investment of current surplus receipts in the higher interest-bearing securities which have been placed on the market since the outbreak of the war.

As negative or unfavorable influences:

- (a) The decrease in the amount of new business written in most countries and hence the reduction in the premium receipt over that which could have been secured.
- (b) The increased mortality on risks both civilian and military with or without the extra premium.
- (c) The increase in lapses and surrenders of policies.
- (d) The heavy depreciation in securities.
- (e) The subscription to government loans at a rate of interest below that which has been earned.
- (f) The increase in the taxation of life insurance.

It will be observed that the above listing of effects seems to indicate a generally unfavorable effect of the war on the finances of life insurance. Such deduction seems to be clearly warranted from the evidence at hand. There has been so much uncertainty connected with the establishment of rates for war hazards, and so little opportunity of choice on the part of the officials with respect to investments and taxation, that the business of life insurance may well consider itself extremely fortunate, if it comes out of this war as sound and secure as it entered. It must ever be kept in mind when thinking of life insurance that it is a business of the future and whatever unfavorable factor plays upon it at any time will project its results into the far distant future. Other businesses can recover from negative influences, but in life insurance, mistakes in the operation of the business persist long after the occurrence of the event.

We have discussed the effects of the war on the volume of business, the effects on the policy contract, and the effects on the finances. There remains under the general classifications the effect of the war on the mortality experience of insurance companies.

EFFECTS ON MORTALITY EXPERIENCE

It will be understood that the actual results under this heading are in their true nature financial in character from the standpoint of the business.

It is hardly necessary to warn the reader again that this is a preliminary study of the effects of the war on insurance, and in no other particulars can statements be made as to the effects with more limitations. Not only are the data of losses in the war extremely difficult to secure, but even if the companies had tabulated and made available their war losses to date, there would remain what might be denominated a "suspended mortality"; that is to state, a large number of deaths will occur as a result of the war, either after the soldier has been sent home on account of injuries, or after the armies have been disbanded at the close of the war. Then, too, the mortality experience has probably not reached its maximum rate for the insurance companies.

The war may place a considerable strain on the national vitality of the people engaged in the war, for, notwithstanding the popular belief that the length of life is increasing, the most reliable vital statistics seem to show that this increase comes chiefly from a reduction in infantile mortality. Important as this end is to achieve, it is of even greater significance for a nation to have an adult population which enjoys long years of efficiency.

A recent authority presents the subject in its relation to the war as follows:¹

¹ *The Problem of National Vitality Raised by the Army and Navy Physical Examinations*, by Elmer E. Rittenhouse. *The Economic World*, n. s., vol. xiv, No. 17, p. 597.

The report of the Surgeon General of the Navy for 1916 shows that out of 105,392 applicants under thirty, 70 per cent were rejected. About 66 per cent of 1,300,000 volunteers for the army and navy since the war was declared, were rejected. The following table shows the decrease and increase in the death rate of native whites of native parents in the nine registration states in the United States:

PER CENT OF INCREASE AND DECREASE IN DEATH RATE, 1900-1910

Age Periods	Nine Registration States		England and Wales
	Decrease Per Cent	Increase Per Cent	Decrease Per Cent
Under 5.....	15	..	35
5-9.....	18	..	29
10-14.....	12	..	21
15-19.....	19	..	23
20-24.....	16	..	26
25-34.....	14	..	29
35-44.....	7	..	31
45-54.....	2	..	27
55-64.....	..	9	22
65-74.....	..	9	17
75 and over.....	..	7	17

We may make due allowance for the young men who will be physically improved by their army experience and still realize that the general effect of the war upon the vital strength of the present generation and of posterity will be far from favorable. The war, if it continues, will greatly increase our vast army of physically impaired men. The additions will consist of a group of maimed, crippled and nerve-shattered men and another still larger group who will have their "constitutions" and resisting power to fatigue and disease permanently weakened by the terrible stress of the battle front. And to these must be added a very considerable number of people at home who will suffer from the "speeding up" process and the excesses due to the high pressure of the times. American life strain—the tendency to overtax the body and its machinery, especially the nervous system—has never been greater than at the present time.

Mortality of Nonbelligerents

It is not only the effect of the war on the mortality of those actually in the service which has to be considered, but also the general effect of the war on the civilian population. A great war must inevitably have a great effect on the mortality of all classes of the population.

Dr. Hersch compares the deaths registered in 1870-1872 in the countries most directly affected by the Franco-Prussian War,

with those registered preceding and succeeding the war. He estimates that as against a total of about 141,000 deaths officially attributed to war, including deaths in hospitals from wounds or illness contracted in service, there were 854,000 deaths of civilians, or about six times the deaths, due directly to war. This was made up of 500,000 in France, 229,000 in Prussia, 55,000 in Belgium, 47,000 in Holland, and 23,000 in Switzerland. The records of 1865-1867 give similar results on a smaller scale, as regards the war of 1866 for Austria, Belgium and Holland. From the detailed statistics, according to age and sex, the extra mortality appears to have fallen mainly on the very young and the very old, and to have been slightly heavier among males than among females. In Belgium nearly one-half of the excess deaths were of children under five years of age; in Holland over one-half; and in Switzerland, one-third. The conclusion seems to be warranted that the chief victims of war are those against whom it is not chiefly directed, mainly, the children and the aged. There doubtless was a heavy mortality at the time under consideration, as well as during the present war, among the refugees who fled from the war zone and sometimes into adjacent countries, and of whom no complete record of deaths could be obtained. Dr. Dumas in his paper, *L'Assurance du risque de guerre*, gives some interesting tables on the effect of war on mortality. The following table shows the effects of the Franco-Prussian War for both combatants and neutrals, and for both sexes: ¹

¹ *L'Assurance du risque de guerre*, vol. vi, *Bulletin de l'Association des Actuaires Suisses*.

Also, *Versicherung und Krieg in Deutscher Verein für Versicherungswissenschaft*, 1914.

Also, *La Mortalité chez les neutres en temps de guerre*, Dr. L. Hersch, Privat-docent in the University of Geneva, Paris, Girard & Brière.

France

Year	Number of Deaths		Total	Per 100 Inhabitants	Number of Deaths
	Male	Female			
1869.....	442,988	421,332	864,320	2.35	984,526
1870.....	553,037	493,872	1,046,909	2.84	943,515
1871.....	692,233	578,777	1,271,010	3.51	826,121
1872.....	409,811	383,253	793,064	2.20	966,000

Switzerland

1869.....	34,918	32,231	67,149	2.52	81,766
1870.....	37,625	35,213	72,838	2.73	83,300
1871.....	41,866	36,132	77,998	2.92	71,626
1872.....	33,469	30,273	63,742	2.39	84,313

Belgium

1869.....	55,768	53,839	109,607	2.21	158,687
1870.....	60,572	57,787	118,359	2.36	164,572
1871.....	75,070	70,676	145,746	2.81	158,760
1872.....	62,041	58,088	120,129	2.35	167,377

Holland

1869.....	41,751	40,802	82,553	2.29	123,789
1870.....	47,175	45,891	93,066	2.58	129,997
1871.....	54,303	52,675	106,978	2.95	128,305
1872.....	48,550	46,044	94,594	2.59	131,664

England and Wales

1869.....	254,863	239,965	494,828	2.23	773,381
1870.....	265,586	249,743	515,329	2.29	792,787
1871.....	265,563	249,316	514,879	2.26	797,428
1872.....	255,135	237,130	492,265	2.13	825,907

Germany

(Including still-births)

1869.....	.....	.....	1,154,303	2.85	1,594,187
1870.....	.....	.....	1,184,315	2.90	1,634,646
1871.....	.....	.....	1,272,313	3.10	1,473,492
1872.....	.....	.....	1,260,922	3.05	1,692,227

There is no accurate record now available, or perhaps possible of ever being available, of the deaths due to the war, but the following table of estimates by various authorities has been made.¹

¹ *Congressional Record*, April 18, 1917.

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Country	Estimates of German Experts to Dec, 1916	Estimates of the Copenhagen Association for Research into the Social Consequences of War, Dec, 1916	Estimates of Frank H. Simonds, New York Tribune, Oct. 14, 1916	Estimates of Permanent Losses: Killed, Invalidated and Captured	Casualties	Calculations of Maj.-Gen. Hugh Scott, U. S. Army, for First Two Years of War	Killed
Russia	6,000,000	8,500,000	5,750,000	.....	.....	5,000,000	1,000,000
France	3,800,000	3,700,000	2,500,000	.....	.....	2,000,000	800,000
Great Britain	1,300,000	1,200,000	1,400,000	.....	.....	620,000	150,000
Serbia .....	.....	480,000	.....	.....	.....	.....	.....
Roumania .....	.....	200,000	350,000	.....	.....	.....	.....
Italy .....	.....	800,000	.....	.....	.....	175,000	35,000
Belgium .....	.....	220,000	.....	.....	.....	150,000	30,000
Entente .....	.....	15,100,000	.....	5,000,000	7,945,000	.....	2,015,000
Germany	4,087,000	3,401,000	4,000,000	.....	.....	3,162,627	907,327
Austria-Hungary ..	.....	3,644,000	4,000,000	.....	.....	2,000,000	500,000
Bulgaria .....	.....	103,000	100,000	.....	.....	150,000	40,000
Turkey .....	.....	605,000	.....	.....	.....	300,000	60,000
Central Powers ..	.....	7,753,000	.....	4,500,000	5,612,627	.....	1,507,327
Grand Total ..	.....	22,753,000	.....	9,500,000	13,557,627	.....	3,522,327

There has been, doubtless, a disposition in some quarters, especially in the early war period in the United States, to exaggerate the casualties in the war. In the *Official Bulletin* of the Federal Government of September, 1917, the Committee on Public Information recognizing this tendency published the following statement:

The Committee on Public Information has obtained from official sources the most nearly accurate figures possible on the percentage of fatalities in relation to casualties on the western front. These figures, taken when the casualties were greatest in proportion to mobilized strength and combined with the highest proportion of deaths, show losses due to deaths from wounds and killed in action to be approximately 11 in every 1,000 of mobilized strength.

According to the figures presented by the French High Commissioner in his letter to the Secretary of War, the high-water mark of casualties in the French Army was reached early in the war—at the battles of Charleroi and the Marne. The casualties in that period were 5.41 per cent of the mobilized strength, or 541 men in every 10,000 with the colors.

Military experts in this country agree that the killed in action and died of wounds have never at any time in this war exceeded 20 per cent of the total casualties. This gives a figure of 108.2 fatalities from these causes in every 10,000 mobilized strength, or practically 11 men killed in action or died of wounds for every 1,000 men with the colors.

The war death rate indicated by this statement is obviously that of only a comparatively short period of the war, and such later figures as are obtainable make it apparent that the rate given is far too high for the average period of service of the men in the hostile armies. According to a recent press report whose figures are attributed to officials of the Marine Corps, "a careful estimate shows that only one man in fifteen is killed, and one out of five hundred loses a limb. Recent reports from French and British hospitals show that about 95 per cent recover from wounds, while 90 per cent are able to return to the firing line." Presumably, these figures relate to the whole period of the war up to a recent date.

The mortality experience of life insurance companies in the United States remains to be experienced in a large sense. Those few United States life companies which do a foreign business have had some experience.

Up to October, 1915, the Mutual Life Insurance Company, one of the largest companies, and one which has life risks in many foreign countries, had experienced a loss of about \$400,000 on war claims. The following table, adopted from the paper of Mr. Thompson, the actuary of this company, before the American Actuarial Society shows the distribution of these losses and the causes:

Country	Business in Force July 1, 1914 (Approximated)	War Losses Lives	Amounts	Percentage Losses
Great Britain	\$ 57,950,000	27	\$156,213	.270
South Africa	12,310,000	5	22,172	.180
Australia	7,810,000	1	493	.007
Canada	34,340,000	11	36,701	.107
	<u>\$112,410,000</u>	<u>44</u>	<u>\$215,579</u>	<u>.192</u>
France	\$ 40,450,000	40	\$ 87,117	.215
Belgium	9,000,000	4	7,496	.083
Italy	9,380,000	1	1,930	.021
Germany	9,720,000	10	18,517	.190
Austria-Hungary	22,030,000	14	39,267	.178
United States .....	.....	5	30,250	....
Total	<u>\$202,990,000</u>	<u>118</u>	<u>\$400,156</u>	<u>.196</u>
Ages at Death	Number of Lives	Amount of Claims		
25 and under.....	11	\$ 31,202		
26-35	28	102,071		
36-45	45	105,586		
Over 45	34	161,297		
Total	<u>118</u>	<u>\$400,156</u>		
Causes of Death	Amount of Insurance	Percentage		
Killed in service	\$101,212	33.		
Died from wound received in service	36,525	11.9		
Illness and disease due to service	105,105	34.3		
Accidents to noncombatants (includes <i>Lusitania</i> losses).	63,828	20.8		
Total	<u>\$306,670</u>	<u>100.0</u>		

Canada

The Canadian life insurance companies have had an experience extending over a longer period, and the following statement indicates the situation with respect to these companies:¹

¹ *Abstract of Statements of Insurance Companies in Canada, 1916.* Superintendent of Insurance of the Dominion of Canada.

With a view to ascertaining the extent to which the life insurance companies in Canada have been affected by the war, a circular was sent to each company asking for the figures showing the war claims incurred during each of the three years 1914, 1915 and 1916. The claims were further classified in each year according as they were incurred under policies held by

- (A) Enlisted soldiers killed in action, or dying from wounds;
- (B) Enlisted soldiers dying from other causes; and,
- (C) Other persons engaged in war service or civilians dying as a result of military operations.

In order that the enquiry might be as comprehensive as possible the circular was directed to the life insurance companies and the large number of fraternal societies operating under Provincial Licenses as well as to all such companies and societies licensed by this department.

Returns have now been received from all companies and societies with the exception of a few small Provincial fraternal societies, the figures for which will not appreciably affect the totals. The tabulation of the figures received gives the following results:

CANADIAN WAR CLAIMS INCURRED		
	Dominion Licensees	Provincial Licensees
In the Year 1914		
A	\$15,973	\$1,000
B	1,622	1,000
C .....	.....	.....
	<hr/>	<hr/>
	\$17,595	\$2,000
In the Year 1915		
A	\$1,607,342	\$70,135
B	190,684	10,500
C	141,709	4,218
	<hr/>	<hr/>
	\$1,939,735	\$84,853
In the Year 1916		
A	\$4,318,839	\$242,555
B	226,987	22,961
C	15,112	.....
	<hr/>	<hr/>
	\$4,560,938	\$265,516
Grand totals	<hr/>	<hr/>
	6,518,268	\$352,369

In addition to the foregoing, Canadian companies incurred claims under policies held by British and foreign policyholders as follows:

In 1914	\$ 55,827
In 1915	175,260
In 1916	293,848
	<hr/>
	\$524,935

A very interesting example of war insurance risks was that of the Metropolitan Life Insurance Company on the soldiers from Toronto, Canada. The plan and the results under it are shown by the following statement:¹

Some American life insurance companies wrote war policies on bodies of Canadian troops about to depart for the seat of war. One of these companies was the Metropolitan Life, which issued policies on approximately 7,700 men from Toronto. . . .

Out of a total of 7,700 men covered under two contracts, the company has paid to date 283 claims for \$187,696, and there are probably a large number of other claims not yet reported. The company wrote only two contracts, and from the approximately 8,000 lives covered will be able, when war is over, to make a valuable study.

The proposition to insure the soldiers sent abroad from among the citizens of Toronto was conceived by the Toronto City Council who realized that the families and dependents of the departing fighters must be cared for in some way, and they believed the wisest provision could be made by means of life insurance. Four contracts were entered into, covering a total of 8,550 men, representing the number of Toronto citizen soldiers leaving for the war prior to May 1. Most of the policies were for \$1000 per man, the total insurance aggregating \$9,050,000.

The first contract was with the Metropolitan and covered approximately 4000 men on policies for \$1000 each, at an average cost of \$43 per policy. The second was with the Aetna Life which covered 1100 men. The State Life, of Indianapolis, issued the third contract covering 250 men, and the fourth contract was with the Metropolitan covering 3700 men. Both the Metropolitan contracts limited the covering to residents of Toronto.

The premium rates for the insurance were arrived at by taking the regular premium rates for each soldier at his age, and adding \$25 per policy as an extra war risk premium. No further insurance of this kind has been written by the Metropolitan.

Vice President Woodward announced Wednesday (July 21) that up to that date there had come in and been paid a total of 283 claims under its two contracts, for a total of \$187,696, but expressed the opinion that there were probably a number of other claims which had not yet been received, since a considerable time would naturally elapse before the news of this kind would reach the company's office.

England

The experience of English life assurance companies up to the latter part of 1916 is shown by the following statement:²

¹ *The Economic World*, n. s., vol. x, 1915, p. 183.

² *The Economist*, London, vol. lxxxiii, August, 1916.

War Mortality and English Life Offices

Though, as we have pointed out in recent articles, it is not yet possible to measure the full effect upon life insurance offices of war mortality, some idea of what it has cost the companies to date can be obtained by collating the claim returns which have been published. Roughly, it may be said that so far the offices have not found war risks a greater burden than they anticipated, but the obligations assumed with or without extra premiums are still quite onerous enough to call for careful provision for the future. A serious responsibility was undertaken when, at the outbreak of the war, it was decided to make no extra charge to existing policyholders who should go on active service, but a fair measure of what that responsibility means is now deducible from the experience of the last two years. New policies issued to soldiers and sailors have carried from 12 to 15 per cent additional premium, and the companies have had the benefit of much extra revenue in this respect, but there are signs that terms may advance, the action of one office recently in asking a supplementary premium of nearly 700 per cent being a plain indication that it is not desirous of handling any further business of this kind. Generally speaking, the war has directly increased mortality claims by about 12 per cent, but in only one or two instances has this advance caused the margin of total expectation to be exceeded, and in quite an appreciable number of cases even with the handicap of war deaths the aggregate mortality claims last year exhibited a decline. This is the more remarkable because it has to be remembered that the war has also indirectly increased the death rate through the wear and tear it has entailed on old lives, in some classes of which claims have been about 35 per cent above the average.

It is roughly computed that throughout the British Empire over £8,000,000 has been paid in war claims, and the great advance now progressing on the Western front is likely to add substantially to that figure. This has been mostly made up of moderate sums, very few claims of exceptional amount having fallen in, according to the particulars which have been made public. There has been one claim for £100,000, and several for £50,000, but these payments are quite abnormal in the experiences of offices. The industrial companies, as the nature of their business would lead one to expect, have had to meet a large number of war obligations, but the mean individual sum is small—about £18—and would represent little more than the equivalent of burial money, were the family saddled with the funeral expenses of the deceased policyholder. The amount of the war policy paid by the ordinary office averages about £1000. Thus the mean of the Scottish Amicable has been £676, of the United Kingdom Temperance £926, of the Legal and General £1130, of the Phoenix £1138, of the Clergy Mutual £1018, and of the Scottish Life £650.

In the subjoined table is shown the war claim experience of fifty-two offices for the last two years:

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	War Mortality Claims		Ratio to Total Death Claims	
	1914 £	1915 £	1914 %	1915 %
Abstainers & General	800	5,200	4.5	20.1
Alliance	80,500	147,300	7.7	11.0
Atlas	9,600	37,600	7.0	17.5
Britannic	4,500	22,100	0.9	4.1
British Equitable	¹ 5,700	7,700	6.2	8.1
Caledonian	3,400	25,800	2.2	13.6
Century	1,300	8,700	11.2	44.6
Clergy Mutual	² 27,500	27,500	8.9	9.6
Clerical, Medical & General..	65,400	³ 54,100	18.7	18.0
Commercial Union	30,200	80,000	9.1	25.3
Co-operative	400	6,000	0.3	4.4
Eagle	12,900	46,800	7.0	20.3
Edinburgh	15,300	36,000	6.2	14.0
English & Scottish Law....	8,000	30,500	4.5	14.7
Equitable	11,000	21,000	3.7	5.7
Equity & Law	70,000	41,600	21.0	13.5
Friends' Provident	⁴ 1,300	⁵ 14,800	0.8	7.6
General Life	300	8,500	0.2	6.0
Gresham	19,500	51,200	4.6	12.0
Guardian	14,400	24,200	5.5	9.6
Law Union & Rock.....	28,100	24,000	5.6	4.3
Legal & General	102,700	166,300	20.1	28.3
Life of Scotland	⁶ 27,300	⁷ 18,000	7.3	5.0
London & Lancashire.....	5,900	37,700	2.9	15.9
London Life	5,600	25,000	1.9	8.3
Marine & General.....	900	16,300	1.2	17.4
Metropolitan	9,000	43,500	8.8	22.0
National Mutual	20,000	16,000	12.3	6.7
National Provident	⁸ 5,000	⁹ 22,800	1.5	7.1
North British & Mercantile..	79,600	153,600	9.7	16.2
Northern	5,400	25,200	2.1	11.2
Norwich Union	54,000	140,500	8.9	22.8
Pearl	14,000	76,100	1.2	5.9
Phoenix	39,700	63,800	6.3	9.1
Profits & Income	nil	nil	....	....
Prudential	102,400	571,100	4.6	11.4
Refuge	13,200	87,500	1.0	5.8
Royal Exchange	15,100	49,600	6.1	22.0
Royal Insurance	25,000	70,000	4.5	10.8
Royal London Mutual	12,100	68,600	2.2	10.5
Scottish Amicable	4,100	35,800	1.6	11.5
Scottish Equitable	¹⁰ 24,000	¹¹ 27,300	7.1	7.1
Scottish Life	10,000	26,800	13.5	34.8
Scottish Provident	42,700	119,400	5.3	13.9
Scottish Temperance	nil	17,900	....	21.2
Scottish Widows' Fund	50,000	150,000	4.0	11.3
Standard	¹² 38,400	¹³ 71,800	5.1	8.7
Star	21,100	12,500	6.5	3.9
Sun	22,000	77,800	5.1	14.7
United Kingdom Temperance	14,900	81,500	3.5	15.5
University	¹⁴ 1,500	¹⁵ 13,900	2.3	22.4
Wesleyan & General	5,100	29,600	4.8	6.7

¹ For year ended Jan. 31, 1915.² " " " May 31, 1915.³ " " " May 31, 1916.⁴ " " " June 30, 1916.⁵ " " " Nov. 20, 1915.⁶ " " " Apr. 5, 1915.⁷ For year ended Apr. 5, 1916.⁸ " " " Mar. 1, 1915.⁹ " " " Mar. 1, 1916.¹⁰ " " " Nov. 15, 1915.¹¹ " " " Apr. 30, 1915.¹² " " " Apr. 30, 1916.

The total war claims paid by the above offices are £4,313,300. In 1915 the figure was £3,042,500, equal to 11.6 per cent of the total mortality roll. In 1914 the amount was £1,270,800, equal to 5.5 per cent of the aggregate claims for that year, but on a five months basis—the duration of hostilities—equal to 13.2 per cent. Thus the proportion has appreciably improved during the last twelve months. To put it in another way, the average monthly payments in 1915 were £253,500, as against £254,200 for the war period of 1914. The increase in the total mortality claims was 13.3 per cent, whilst deducting war obligations the rise would have been 5.9 per cent. There has been a considerable variation in the experience of the different offices. Only two companies—the Legal and General, and the Prudential—saw their war claims run into six figures in 1914, but last year five other offices—the Alliance, the North British and Mercantile, the Norwich Union, the Scottish Provident, and the Scottish Widows' Fund—were over that limit. The Profits and Income only does a small life business, but it is nevertheless a noteworthy coincidence that it should have escaped any war claims whatever. The Scottish Temperance also had this good fortune in 1914. The highest ratio for 1915 is recorded by the Century with 44.6 per cent, the Scottish Life coming second with 34.8 per cent, and the Legal and General third with 28.3 per cent.

The situation with respect to the industrial companies is more serious, inasmuch as there has been called into the service of the nation many of the wage earners who as a class particularly carry industrial insurance. The condition as a whole is represented by the experience of the Prudential Insurance Company of England, the company which has the largest amount of insurance of this character.

The burden of the war claims is indicated by the experience of the Prudential, the largest of the life offices. Its total payments in war claims amounted to no less than £682,909 on 31,729 lives, and of these claims a total of £512,438 on 30,020 lives were in the industrial department, and £170,471 on 1,709 lives in the ordinary department.

A further analysis of the payments shows that there were claims of £106,433 on 3,999 lives of men serving in the navy and £556,590 on 27,147 lives of men serving in the army. In addition, £17,875 was paid on account of 487 lives lost in merchant ships and £2,011 was paid on 96 claims by bombardment and air raids.

A number of new plans have been devised under which insurance is granted. The Equity and Law, London Life, Clerical, Medical and General, and the Royal joined the ranks of companies which in recent years have reduced their rates for non-profit, that is, nonparticipating insurance. Some of the tables used provide for very low rates. The uncertainty of the war as to mortality and investments and a number of other factors affecting life insurance have made the non-profit policy more popular, since under it a definite, fixed cost is guaranteed. In addition, the uncertainties of the war, both at home and abroad, have brought home to many the importance of being insured as early in life as possible, and for as large amounts as possible. Again, the increase in taxation and the higher cost of living cause people to wish to pay as little as possible for their insurance. A reduction of annuity rates was made by a number of offices, due to the rising rates of interest. This is especially true in respect to elderly lives, since, so far as can be seen, interest rates for a number of years will in all probability be high.

Germany

The situation in Germany and other enemy nations is more difficult to ascertain, but there is available some information regarding the earlier experience of the German companies.

The fiftieth annual report of the Prussian Life Insurance Company, one of the leading German life offices, has recently been made public. It is of particular interest as covering seventeen months of actual warfare in Europe. At the outset of the war in 1914, the Prussian Life had nearly sixty-six thousand policies outstanding, the aggregate amount of which was \$74,330,000, and although some of the policies were on the lives of men who had passed the age limit for military service, the vast majority of them were within the age, and, therefore, the company had a very considerable exposure to the hazards of war.

In seventeen months of war there were lost out of this body of policyholders 527 lives, with an aggregate amount of \$304,142 and thus it appears that out of each one thousand lives insured by this company, eight were lost, and out of each \$1000 of insurance \$4.10 matured by death. The average policy for all insurants was about \$1200, but the average loss per person

in military service was only \$577, as the younger men carried smaller than average amounts of insurance. In this connection it is also interesting to note that the maximum amount which the "Prussian" Company insures on any one life is \$6250 [marks, 25,000]—a very conservative limit when judged by the practices of American companies.

The mortality experience of the company for 1914 and 1915 was about 105 per cent, as follows:

Year	Tabular Mortality Expected	Actual Mortality Natural Causes	Incurred from War
1914.....	\$ 924,000	\$803,460	\$118,512
1915.....	1,084,000	952,615	185,630

The company has been able to declare a dividend to its shareholders at its long established rate of 16 per cent per annum, to apportion to its participating policyholders an amount fully equal to preceding years, and to set aside a special reserve to meet war claims in 1916, after which the financial balance sheet shows total assets of \$23,921,000, reserves in excess of \$20,000,000, and a surplus as regards policyholders of almost \$2,000,000.¹

Among the disbursements during the war period death claims play, of course, the most prominent part. The exact amount of the total death claims is unknown for the reason that many claims remain unsettled. In 1913, the year preceding the war, the claims from death alone amounted to 150,000,000 marks (\$35,700,000). In 1914, this amount rose to 219,000,000 marks (\$52,122,000), and in 1915 to 240,000,000 marks (\$57,120,000). The war losses paid during the last five months of 1914 were very high, and for many companies they were in excess of the total losses for the full twelve months of 1915. During the year 1916 the war losses actually paid were even lower, despite the fact that a much larger force was under arms. One must, however, be very careful not to draw final conclusions from these figures. Many German companies are, according to clauses contained in their policies, not liable to pay claims arising from death due to war.

An exact analysis of the financial losses due to death from war would be of great interest, but is exceedingly difficult. According to an expert article in the German insurance organ, *Massius' Rundschau*, the net reserves released through ma-

¹ *The Economic World*, n. s., vol. xii, 1916, p. 115.

turity by death amounted to 48 per cent of the total face value of policies terminated by death. Assuming that the general mortality, as apart from war mortality, would remain about the same, we might expect the same percentage of reserves released on account of death from ordinary causes. During 1914-1915 the reserves released by all causes of death, including death directly due to the war, amounted to only 37 per cent of the face value of the total death claims. The reserves on hand for death arising from the war may, therefore, be assumed to have been rather small, indicating that a large number of those who were killed had taken out insurance after the outbreak of the war.

Two years after the outbreak of hostilities German life insurance companies would accept no war risk except for an extra annual premium of from four to six per cent of the face of the policy. The war losses on policies written before 1914 have been met in part by the accumulated war emergency funds.

The surplus earnings of the companies have, of course, decreased. In 1913, the surplus was 177,000,000 marks (\$42,126,000); in 1914, 154,000,000 marks (\$36,652,000), and in 1915, 150,000,000 marks (\$35,700,000). The surplus earnings have been used with great precautions, as, according to the government report, there is no way of knowing how long the war will last and how the additional losses may accumulate. Moreover, the companies realize that they will be confronted with heavy expenses in the reorganization of their field and office staffs when peace finally comes. They also realize the probability of an increased mortality among the civil population and heavy losses arising from a sudden drop in many of their securities.

It may be emphasized, in conclusion, with reference to the mortality experience of insurance companies, that it is too soon to be dogmatic as to what this experience will be. There has been little compilation of the insurance losses in the countries which have been engaged in the war for some time. In such nations as the United States, there has not yet been sufficient time

to show what the losses of war will truly be. It may be ventured that for all insurance companies these losses under the terms under which the policies were written will be serious enough.

PLANS FOR MEETING INCREASED MORTALITY COST

In the preceding discussion, the effect of the war on the cost of life insurance to the prospective applicant has been considered. In a general sense this cost became prohibitive for large numbers of those who were called into the service of their respective nations, and yet the need of insurance protection for the dependents was never more clearly recognized. The soldier and sailor entering the army or navy needed and desired the insurance, but they found that the insurance companies either were increasing the rates to prohibitive points, or were refusing to grant insurance on any terms. Nor are the companies to be criticized for such procedure. In practically all countries, their treatment of old policyholders in particular has been liberal. Indeed, if one were to venture a prophecy, it would be that the final results, which will be known only when war statistics are available, will be to show that the officials of insurance companies were in some respects too liberal. There is no reason to argue that the insurance companies which are made up essentially of policyholders should assume, as a part of society, the burden and cost of granting protection to the dependents of soldiers and sailors. Such military service was undertaken for the benefit of the nation as a whole and not peculiarly for the benefit of the policyholders in life insurance companies. The life insurance company is a private organization, established and operated for the benefit of its members. There is no good reason why it should open its membership to any particular class, except as they can qualify under the terms of the organization. No public or philanthropic duties can be required of insurance companies. The situation, therefore, with respect to giving protection to the millions of dependents of those entering the war was an impossible one for the life insurance companies. Prac-

tically considered, there were only three methods of meeting the situation, so far as life insurance was concerned:

First, the companies might refuse to insure the lives of those entering the army and navy, either by absolute refusal or by placing the premium at a prohibitive point. In case of the death of the soldier or sailor, the government might grant a pension to the dependents. During his period of service, the dependents might depend upon the uncertain public and private charity. The twentieth century developed sense of social obligation would not permit such a disposition of the question.

Second, provision might be made for the insuring of the lives of soldiers and sailors in the private insurance companies at such rates as the officials decided and the state, either national or local, would pay either all the premium or such part of it as was represented by the extra hazard of the war. In some cases this has been done, as, for example, in the case of the city of Toronto, Canada, which insured the lives of her citizens who were called into war service. But as a practical solution of the question, this would have been an awkward means of accomplishing the desired end. Too many millions were engaged; there were many different private companies among which to distribute the business. There were many different local governments, no two of which might agree upon the amount and the terms of insurance and thus discrimination of an invidious character would arise. The national government, where one existed, might have insured the risks in the private companies, but this would not have removed all the above practical objections and others which are apparent.

Third, the national government itself might undertake the granting of life insurance. This method is the one which has been adopted in the United States, and the chief merits and defects of the plan as a whole will be discussed in connection with the following analysis of the method now in operation in the United States:

Government Insurance in the United States

The law enacted by Congress established a Bureau of Military and Naval Insurance under the Secretary of the Treasury, and provided for the issuance of policies of life insurance to those in the military and naval service of the nation, in addition to the allotment of soldiers' and sailors' pay to dependents, as well as provisions for reeducation, and other features to be discussed in succeeding pages of this monograph.

The bill had its origin in the conditions previously described, and resulted from the cooperation of the Treasury Department, the Committee on Labor of the Advisory Commission of the Council of National Defense, the Departments of Commerce, Navy, Labor, an advisory committee of insurance representatives, and others. The insurance representatives favored the bill except the provision for life insurance, arguing that the other provisions of the bill were sufficiently liberal, although they favored the payment of a direct compensation of \$1,000, in case of the death during service, or within five years after discharge from the service. The views of the representatives of the government are indicated in the following extract from the letter of Secretary of the Treasury McAdoo to President Wilson:¹

The bill is intended to meet those essential and fundamental principles of justice which you have so much at heart. Its main purpose is to grant a reasonable government indemnity against the losses and risks incurred in the discharge of a patriotic duty and in the performance of an extraordinarily hazardous service to which the government has called and forced the citizen. It provides not only for the man but for his family.

It aims to accomplish these ends by granting a reasonable measure of indemnity against the risk of loss—

- (1) Of support of the breadwinner;
- (2) Of life and limb;
- (3) Of present insurability at ordinary rates.

The risk of dependency, in the case of an enlisted man's family, is indemnified against by allotment of part of the pay of the enlisted man, supplemented by a family allowance granted and paid by the government.

¹ *Relief of Officers and Enlisted Men*, Sen. Doc., No. 75, 65th Cong., 1st Sess.

The risk of disability or death as to officers, men and nurses while in active service as part of the military or naval forces of the United States is indemnified against by compensation on the analogy of the workmen's compensation act, rather than through a pension system. The sacrifice of and loss to the family is, however, taken into consideration by varying the amount of compensation both after death and during disability with the size of the family.

While in some respects the compensation system gives less than the present pension system, in other respects, especially in caring for the family after the man's death, it gives more, and on the whole aims at greater equity.

If total disability results from personal injury suffered or disease contracted in the course of the service, the compensation based on the percentage of pay, but with a minimum of from \$40 to \$75 per month, according to the size of the family, may increase for the higher officers to a maximum of \$200 per month. Compensation, however, is not payable while the officer receives retirement allowance.

Partial disabilities are compensated for on the basis of percentages of the compensation for total disability, dependent upon the average impairment of earning capacity resulting from such injuries in civil occupations. Provision is made for commutation under regulations, but of a part only of the compensation.

Medical, surgical and hospital treatment, supplies and appliances are given.

Rehabilitation and reeducation of the injured men are vital to the scheme. Compensation is a helpful measure of justice, but rehabilitation and reeducation, fitting him for a life of activity and usefulness, either in his former or some other vocation, is an obligation fundamental both to him and his fellow men. . . .

Death or disability resulting from injury suffered or disease contracted in the course of the service is covered irrespective of the date when disability or death occurs, but if it occurs after discharge or resignation, it is compensated for only if a certificate has been obtained within one year after discharge or resignation that the person was suffering from injury or disease so incurred or contracted likely to result later in death or disability. . . .

Risk of noninsurability at ordinary rates is indemnified against by the issuance of government insurance, covering total disability and death, to officers, men and army nurses while in active service as part of the military or naval forces, in an amount of \$1000 to \$10,000.

The excess cost due to the increased mortality and disability risk should clearly be borne by the government. The cost of administering the insurance bureau for the benefit of the fighting men is also a proper governmental charge. As the government will not have the other expenses incident to insurance, the premium rates to be charged by it are based upon the mortality experience tables of peace times without "loading." "Loading" comprises overhead charges, commissions to agents, advertising, etc., and is a large item in the premium charges of private companies.

The cheapest form of insurance, costing during the war on an average \$8 per \$1000 of insurance, and thus bringing even the maximum of \$10,000

insurance within the reach of practically every private, is provided for. After the war the insurance may be converted into other forms with earlier maturity, the premiums to be based, however, on the same mortality tables and without "loading." All insurance is to be payable in instalments, to be nonassignable, and free from the claims of creditors, either of the insured or of the beneficiary. It is to be limited to wife, children and other specified kindred. It must be applied for within 120 days after the terms are promulgated or subsequent enlistment or entrance into the service. For those who are totally disabled or die before they have had an opportunity to insure within the prescribed period of 120 days, insurance in the sum of \$5000 is deemed to have been applied for and granted.

Through the insurance the opportunity is given to every man to gain greater protection for himself and for his family than the government itself voluntarily gives in case of total disability or death resulting from injuries or disease contracted in the service.

But it ought also to check any future attempts at service pension legislation by enabling a man now to provide against impairment through old age, total disability, or death resulting from other causes, and to give all this protection to those kindred who may be dependent upon him and who do not share in the government compensation. Under the present laws monthly service pensions range from \$12 to \$30 for a man, and \$8 for the widow, and \$2 for a child.

The bureau is further empowered to give information to the men and to act for them in respect to their outstanding insurance. In this way many existing policies that might lapse may be saved by prompt payment of premiums out of the man's deposit.

The laws and experiences of other countries were studied and used in the preparation of this bill. It is clearly recognized that the government can offer but minimum protection, based on general averages throughout the country, and that in many states and large cities, especially, supplemental grants will be required. State and municipal legislation may be expected to meet this need.

On the administrative side the bill provides for a division of the war risk bureau into two sections, one on marine and seamen's insurance, the other on military and naval insurance. Each division is to have a commissioner under the direction of the bureau.

This, in general, is an outline of the proposed measure. We are not relying upon the volunteer system in this war. We are drafting men and compelling them to make, if necessary, the supreme sacrifice for their country. A higher obligation, therefore, rests upon the government to mitigate the horrors of war for the fighting men and their dependents in so far as it is possible to do so through compensations, indemnities and insurance. Less than this, a just, generous and humane government can not do. We must set an example to the world, not alone in the ideals for which we fight, but in the treatment we accord to those who fight and sacrifice for us.

The proposed provisions for the men and their dependents should not be

offered as gratuities or pensions, and they should not be deferred until the end of the war. The wives and children, the dependent mothers and fathers of the men should not be left, as in previous wars, to the uncertain charity of the communities in which they live. The minds of our soldiers and sailors should be put at rest, so far as their loved ones are concerned, by the knowledge that they will be amply provided for by their government as a part of the compensation for the service they are rendering to their country. In like manner, they should know in advance that if they are killed in battle, definite and just provision has been made for their dependents, and that if they are disabled, totally or partially—if they come back armless, legless, sightless or otherwise permanently injured—definite provision is made for them, and that they are not going to be left to the uncertain chances of future legislation, or to the scandals of our old pension system. Every man should know that the moment he is enlisted in the military service of the government, these definite guaranties and assurances are given to him, not as charity, but as a part of his deserved compensation for the extra-hazardous occupation into which his government has forced him.

It may be suggested that the cost of this system is too great. Personally, I have no patience with such a suggestion; I confess that I have only compassion for it. If, under this measure, the annual cost of doing justice to our fighting men and their dependents should amount to five, six or seven hundred million dollars per annum, at the crest of the load, it is an insignificant sum as compared with what these men do for their country and for the world. At this time we are contemplating expenditures during the fiscal year 1918 of more than \$10,000,000,000 for the prosecution of the war—for the creation of armies and death-dealing instruments to be used in destroying enough human life to restore peace and justice in the world. Shall we hesitate to expend \$700,000,000 more per annum, if need be—only about 6 per cent of the amount we propose to expend for purposes of the war—for the protection of the widows and orphans, the dependent and the injured, who, after all, make the greatest sacrifices of any part of our people, for the safety, security and honor of our country?

Furthermore, it must be borne in mind that the government will not escape those expenditures if this plan of compensation and insurance should be rejected, because the pension system would then be resorted to, and the cost would likely exceed that of the proposed plan. At the same time, the pension system would not provide the same benefits, nor cover the subject in the same comprehensive, humane and equitable way. No provision is made under our pension laws for family allowances while the men are at the front, nor for rehabilitation, life insurance, etc.

The chief provisions of the act so far as they refer to life insurance are:

First, the appropriation of \$23,000,000 which, with the premiums received on the policies, constitutes the fund from which claims are to be paid during the first year. There has

been considerable disagreement as to the adequacy of this fund, due to the impossibility of predicting what the death losses will be, but in any event the credit of the United States is pledged and the claims will be paid.

Second, a definition of what constitutes "marriage," a definition of "child," "wife," "divorced," and other terms about which uncertainty or disagreement might arise in connection with the payments of the insurance.

Third, the provision of a fine of \$5,000 or imprisonment for not more than two years for perjury in obtaining family allowance, compensation, or insurance.

Fourth, the granting of insurance without a medical examination to every commissioned officer and enlisted man and every member of the Army Nurse Corps (female), and Navy Nurse Corps (female), under the following conditions:

- (a) The insurance is granted upon application in amounts of not less than \$1,000 or more than \$10,000.
- (b) It is insurance against death or total permanent disability.
- (c) Such insurance must be applied for within one hundred and twenty days after enlistment, or after entrance into or employment in the active service, and before discharge or resignation, except that those "in the active service, on or after the sixth day of April, nineteen hundred and seventeen, and who while in such service and before the expiration of one hundred and twenty days from and after the publication of the act" become disabled or die, shall be deemed "to have applied for and to have been granted such insurance."

Fifth, the proceeds of the insurance are payable in case of death or disability in instalments and not as a lump sum.

Sixth, the insurance is not assignable, nor is it subject to the claims of creditors of the insured, or of the beneficiary.

Seventh, provisions are made for maturity of the policy of

insurance at certain ages, as well as for cash, loans, paid-up and extended values, dividends from gains and savings and "such other provisions for the protection and advantage of the insured and beneficiaries as may be found to be reasonable and practicable." This extract from the law indicates one of its leading characteristics, namely, the large discretion which is given to its administrators. This feature of the law was clearly recognized by the framers of it. The whole plan is so new and the contingencies which may arise so numerous, that it seemed unwise to attempt to specify in many particulars. The principle of entrusting large responsibility and discretion to administrative officers in times of peace is increasingly used and the results achieved warrant the application of the principle in these special circumstances.

Eighth, the premium calculations are made on the basis of the American Experience Table with an interest of $3\frac{1}{2}$ per cent.

Ninth, the United States bears all the expenses of administration and the excess mortality and disability resulting from the war. The premium rates are, therefore, the net rates of the American Experience Table of Mortality, with an interest accumulation of $3\frac{1}{2}$ per cent.

Tenth, the insurance during the period of the war is term insurance for successive terms of one year; that is, it is one year, renewable, term insurance during the period of the war. This is the kind of insurance under which no reserve is accumulated, and therefore no cash surrender values. It is insurance year by year, and the cost is paid for each year. Since with increasing age the risk increases, the premium on such insurance increases each year, although in the early ages this increase is not marked. No physical examination is required upon application, nor is any such examination required year by year. Term insurance is for all practical purposes temporary insurance, since the cost throughout life increases so much and since few are able to pay increasing costs with increasing age. It is assumed on the part of private companies, as well as by the buyer, when this kind of insurance is sold, that such insurance either will

be dropped after a few years, or will be transferred into one of the regular life, limited payment, or endowment policies.

This law provides that not later than five years after the close of the war, this term insurance will be converted without medical examination "into such form or forms of insurance as may be prescribed by regulations, and as the insured may request," but that such "regulations shall provide for the right to convert into ordinary life, twenty-payment life, endowment maturing at age sixty-two and into other usual forms of insurance." This extract illustrates again the wide discretion which is left to the administrators of the law.

It will be understood that the above provision of the law contemplates the maturing of these contracts of insurance by the United States Government. This means, of course, that the United States will conduct for many years public insurance. Some of these contracts will not mature for over half a century. Then, too, it must be recognized that after the close of the war, there will be in the regular army and navy, men in active service and entering for service. These soldiers and sailors will be eligible for insurance under the provisions of the law. This may well mean that the United States will conduct an active insurance organization in time of peace to serve the needs of those whose insurability is decreased from the standpoint of the private insurance companies, because of service of this character with the nation.

The relation of the law to the pension system is in this connection clear. It is intended that the various provisions of the law shall make it unnecessary to utilize the old types of pensions of all kinds. It is to be hoped in view of the history of the pension system in the United States that this will be the result. But in view of some of the chapters in this history, such an end may not be achieved. If, when the thousands, and probably millions, of soldiers and sailors return, it is found that in the cases of many of those who have transferred their term insurance to the regular forms the burden of paying the premiums becomes great as old age approaches, a grateful and patriotic

nation may well insist that these premiums be paid from the state treasury. Or perchance a political party, seeking power, may as in the past dilute its patriotism with practical political strategy and favor such a practice. In either case, the result would be practically the same as a pension, and would certainly have many of the evils of the old pension system.

The Director of the Bureau of War Risk Insurance under the provisions of the law issued policies and other regulations, and the following policy, rates and regulations were placed in operation:

*Terms and Conditions of Soldiers' and Sailors' Insurance*¹

I, William C. De Lanoy, Director of the Bureau of War Risk Insurance in the Treasury Department, pursuant to the provisions of Section 402 of an act "to amend 'An act to authorize the establishment of a Bureau of War Risk Insurance in the Treasury Department,' approved September 2, 1914, and for other purposes," approved October 6, 1917, hereby, on this 15th day of October, 1917, by direction of the Secretary of the Treasury, determine upon and publish these full and exact terms and conditions of the contract of insurance to be made under and by virtue of the Act:

1. Insurance will be issued for any of the following aggregate amounts upon any one life:

Amount	Converted into Monthly Instalments of	Amount	Converted into Monthly Instalments of
\$1,000.....	\$5.75	\$6,000.....	\$34.50
\$1,500.....	8.63	\$6,500.....	37.38
\$2,000.....	11.50	\$7,000.....	40.25
\$2,500.....	14.38	\$7,500.....	43.13
\$3,000.....	17.25	\$8,000.....	46.00
\$3,500.....	20.13	\$8,500.....	48.88
\$4,000.....	23.00	\$9,000.....	51.75
\$4,500.....	25.88	\$9,500.....	54.63
\$5,000.....	28.75	\$10,000.....	57.50
\$5,500.....	31.63		

Which instalments will be payable during the total and permanent disability of the insured, or if death occur without such disability, for 240 months, or if death occur following such disability, for a sufficient number of months to make 240 in all including months of disability already paid for, in both cases except as otherwise provided.

¹ *The Economic World*, n. s., vol. xiv, No. 16, p. 561.

2. The insurance is issued at monthly rates for the age (nearest birthday) of the insured when the insurance goes into effect, increasing annually upon the anniversary of the policy to the rate for an age one year higher, as per the following table of rates:

Age	\$1,000	\$1,500	\$2,000	\$2,500	\$3,000	\$3,500	\$4,000	\$4,500	\$5,000	\$5,500
15....	.63	.95	\$1.26	\$1.58	\$1.89	\$2.21	\$2.52	\$2.84	\$3.15	\$3.47
16....	.63	.95	1.26	1.58	1.89	2.21	2.52	2.84	3.15	3.47
17....	.63	.95	1.26	1.58	1.89	2.21	2.52	2.84	3.15	3.47
18....	.64	.96	1.28	1.60	1.92	2.24	2.56	2.88	3.20	3.52
19....	.64	.96	1.28	1.60	1.92	2.24	2.56	2.88	3.20	3.52
20....	.64	.96	1.28	1.60	1.92	2.24	2.56	2.88	3.20	3.52
21....	.65	.98	1.30	1.63	1.95	2.28	2.60	2.93	3.25	3.58
22....	.65	.98	1.30	1.63	1.95	2.28	2.60	2.93	3.25	3.58
23....	.65	.98	1.30	1.63	1.95	2.28	2.60	2.93	3.25	3.58
24....	.66	.99	1.32	1.65	1.98	2.31	2.64	2.97	3.30	3.63
25....	.66	.99	1.32	1.65	1.98	2.31	2.64	2.97	3.30	3.63
26....	.67	1.01	1.34	1.68	2.01	2.35	2.68	3.02	3.35	3.69
27....	.67	1.01	1.34	1.68	2.01	2.35	2.68	3.02	3.35	3.69
28....	.68	1.02	1.36	1.70	2.04	2.38	2.72	3.06	3.40	3.74
29....	.69	1.04	1.38	1.73	2.07	2.42	2.76	3.11	3.45	3.80
30....	.69	1.04	1.38	1.73	2.07	2.42	2.76	3.11	3.45	3.80
31....	.70	1.05	1.40	1.75	2.10	2.45	2.80	3.15	3.50	3.85
32....	.71	1.07	1.42	1.78	2.13	2.49	2.84	3.20	3.55	3.91
33....	.72	1.08	1.44	1.80	2.16	2.52	2.88	3.24	3.60	3.96
34....	.73	1.10	1.46	1.83	2.19	2.56	2.92	3.29	3.65	4.02
35....	.74	1.11	1.48	1.85	2.22	2.59	2.96	3.33	3.70	4.07
36....	.75	1.13	1.50	1.88	2.25	2.63	3.00	3.38	3.75	4.13
37....	.76	1.14	1.52	1.90	2.28	2.66	3.04	3.42	3.80	4.18
38....	.77	1.16	1.54	1.93	2.31	2.70	3.08	3.47	3.85	4.24
39....	.79	1.19	1.58	1.98	2.37	2.77	3.16	3.56	3.95	4.35
40....	.81	1.22	1.62	2.03	2.43	2.84	3.24	3.65	4.05	4.46
41....	.82	1.23	1.64	2.05	2.46	2.87	3.28	3.69	4.10	4.51
42....	.84	1.26	1.68	2.10	2.52	2.94	3.36	3.78	4.20	4.62
43....	.87	1.31	1.74	2.18	2.61	3.05	3.48	3.92	4.35	4.79
44....	.89	1.34	1.78	2.23	2.67	3.12	3.56	4.01	4.45	4.90
45....	.92	1.38	1.84	2.30	2.76	3.22	3.68	4.14	4.60	5.06
46....	.95	1.43	1.90	2.35	2.85	3.33	3.80	4.28	4.75	5.23
47....	.99	1.49	1.98	2.48	2.97	3.47	3.96	4.46	4.95	5.45
48....	1.03	1.55	2.06	2.58	3.09	3.61	4.12	4.64	5.15	5.67
49....	1.08	1.62	2.16	2.70	3.24	3.78	4.32	4.86	5.40	5.94
50....	1.14	1.71	2.28	2.85	3.42	3.99	4.56	5.13	5.70	6.27
51....	1.20	1.80	2.40	3.00	3.60	4.20	4.80	5.40	6.00	6.60
52....	1.27	1.91	2.54	3.18	3.81	4.45	5.08	5.72	6.35	6.99
53....	1.35	2.03	2.70	3.38	4.05	4.73	5.40	6.08	6.75	7.43
54....	1.44	2.16	2.88	3.60	4.32	5.04	5.76	6.48	7.20	7.92
55....	1.53	2.30	3.06	3.83	4.59	5.36	6.12	6.89	7.65	8.42
56....	1.64	2.46	3.28	4.10	4.92	5.74	6.56	7.38	8.20	9.02
57....	1.76	2.64	3.52	4.40	5.28	6.16	7.04	7.92	8.80	9.68
58....	1.90	2.85	3.80	4.75	5.70	6.65	7.60	8.55	9.50	10.45
59....	2.05	3.08	4.10	5.13	6.15	7.18	8.20	9.23	10.25	11.28
60....	2.21	3.32	4.42	5.53	6.63	7.74	8.84	9.95	11.05	12.16
61....	2.40	3.60	4.80	6.00	7.20	8.40	9.60	10.80	12.00	13.20
62....	2.60	3.90	5.20	6.50	7.80	9.10	10.40	11.70	13.00	14.30
63....	2.82	4.23	5.64	7.05	8.46	9.87	11.28	12.69	14.10	15.51
64....	3.07	4.61	6.14	7.68	9.21	10.75	12.28	13.82	15.35	16.89
65....	3.35	5.03	6.70	8.38	10.05	11.73	13.40	15.08	16.75	18.43

EFFECT ON LIFE INSURANCE

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Age	\$6,000	\$6,500	\$7,000	\$7,500	\$8,000	\$8,500	\$9,000	\$9,500	\$10,000
15....	\$3.78	\$4.10	\$4.41	\$4.73	\$5.04	\$5.36	\$5.67	\$5.99	\$6.30
16....	3.78	4.10	4.41	4.73	5.04	5.36	5.67	5.99	6.30
17....	3.78	4.10	4.41	4.73	5.04	5.36	5.67	5.99	6.30
18....	3.84	4.16	4.48	4.80	5.12	5.44	5.76	6.08	6.40
19....	3.84	4.16	4.48	4.80	5.12	5.44	5.76	6.08	6.40
20....	3.84	4.16	4.48	4.80	5.12	5.44	5.76	6.08	6.40
21....	3.90	4.23	4.55	4.88	5.20	5.53	5.85	6.18	6.50
22....	3.90	4.23	4.55	4.88	5.20	5.53	5.85	6.18	6.50
23....	3.90	4.23	4.55	4.88	5.20	5.53	5.85	6.18	6.50
24....	3.96	4.29	4.62	4.95	5.28	5.61	5.94	6.27	6.60
25....	3.96	4.29	4.62	4.95	5.28	5.61	5.94	6.27	6.60
26....	4.02	4.36	4.69	5.03	5.36	5.70	6.03	6.37	6.70
27....	4.02	4.36	4.69	5.03	5.36	5.70	6.03	6.37	6.70
28....	4.08	4.42	4.76	5.10	5.44	5.78	6.12	6.46	6.80
29....	4.14	4.49	4.83	5.18	5.52	5.87	6.21	6.56	6.90
30....	4.14	4.49	4.83	5.18	5.52	5.87	6.21	6.56	6.90
31....	4.20	4.55	4.90	5.25	5.60	5.95	6.30	6.65	7.00
32....	4.26	4.62	4.97	5.33	5.68	6.04	6.39	6.75	7.10
33....	4.32	4.68	5.04	5.40	5.76	6.12	6.48	6.84	7.20
34....	4.38	4.75	5.11	5.48	5.84	6.21	6.57	6.94	7.30
35....	4.44	4.81	5.18	5.55	5.92	6.29	6.66	7.03	7.40
36....	4.50	4.88	5.25	5.63	6.00	6.38	6.75	7.13	7.50
37....	4.56	4.94	5.32	5.70	6.08	6.46	6.84	7.22	7.60
38....	4.62	5.01	5.39	5.78	6.16	6.55	6.93	7.32	7.70
39....	4.74	5.14	5.53	5.93	6.32	6.72	7.11	7.51	7.90
40....	4.86	5.27	5.67	6.08	6.48	6.89	7.29	7.70	8.10
41....	4.92	5.33	5.74	6.15	6.56	6.97	7.38	7.79	8.20
42....	5.04	5.46	5.88	6.30	6.72	7.14	7.56	7.98	8.40
43....	5.22	5.66	6.09	6.53	6.96	7.40	7.83	8.27	8.70
44....	5.34	5.79	6.23	6.68	7.12	7.57	8.01	8.46	8.90
45....	5.52	5.98	6.44	6.90	7.36	7.82	8.28	8.74	9.20
46....	5.70	6.18	6.65	7.13	7.60	8.08	8.55	9.03	9.50
47....	5.94	6.44	6.93	7.43	7.92	8.42	8.91	9.41	9.90
48....	6.18	6.70	7.21	7.73	8.24	8.76	9.27	9.79	10.30
49....	6.48	7.02	7.56	8.10	8.64	9.18	9.72	10.26	10.80
50....	6.84	7.41	7.98	8.55	9.12	9.69	10.26	10.83	11.40
51....	7.20	7.80	8.40	9.00	9.60	10.20	10.80	11.40	12.00
52....	7.62	8.26	8.89	9.53	10.16	10.80	11.43	12.07	12.70
53....	8.10	8.78	9.45	10.13	10.80	11.48	12.15	12.83	13.50
54....	8.64	9.36	10.08	10.80	11.52	12.24	12.96	13.68	14.40
55....	9.18	9.95	10.71	11.48	12.24	13.01	13.77	14.54	15.30
56....	9.84	10.66	11.48	12.30	13.12	13.94	14.76	15.58	16.40
57....	10.56	11.44	12.32	13.20	14.08	14.96	15.84	16.72	17.60
58....	11.40	12.35	13.30	14.25	15.20	16.15	17.10	18.05	19.00
59....	12.30	13.33	14.35	15.38	16.40	17.43	18.45	19.48	20.50
60....	13.26	14.37	15.47	16.58	17.68	18.79	19.89	21.00	22.10
61....	14.40	15.60	16.80	18.00	19.20	20.40	21.60	22.80	24.00
62....	15.60	16.90	18.20	19.50	20.80	22.10	23.40	24.70	26.00
63....	16.92	18.33	19.74	21.15	22.56	23.97	25.38	26.79	28.20
64....	18.42	19.96	21.49	23.03	24.56	26.10	27.63	29.17	30.70
65....	20.10	21.78	23.45	25.13	26.80	28.48	30.15	31.83	33.50

Rates at ages higher or lower will be given on request.

The insurance may be continued at these increasing term rates during the war and for not longer than five years after the termination of the war,

and may be continued thereafter without medical examination if the policy be converted into a form selected before the expiration of such five years by the insured from the forms of insurance which will be provided by the bureau, provided that premiums are paid therefor at net rates computed by the bureau according to the American Experience Table of Mortality and interest at $3\frac{1}{2}$ per cent per annum.

3. That the insurance has been granted will be evidenced by a policy or policies issued by the bureau, which shall be in the following general form (which form may be changed by the bureau from time to time, provided that full and exact terms and conditions thereof shall not be altered thereby):

[Form of Policy for \$5000]
 Military and Naval Insurance Policy
 No. 1
 Amount, \$5000 Age, 25 Monthly instalments, \$28.75
 The United States of America
 Treasury Department
 Bureau of War Risk Insurance

Under the authority granted by Congress in an act amending "An act entitled 'An act to authorize the establishment of a Bureau of War Risk Insurance in the Treasury Department,' approved September 2, 1914, and for other purposes," approved October 6, 1917, and subject in all respects to the provisions of such Act, of any amendments thereto, and of all regulations thereunder, now in force or hereafter adopted, all of which, together with this policy, the application therefor, and the terms and conditions published under authority of the act, shall constitute the contract:

Hereby insures from and after the day of, 19.., John Doe, of Illinois, private, Company A, Third Infantry [Name, State of residence, and designation of the insured], conditioned upon the payment of premiums as herein provided, for the principal amount of \$5000, converted into monthly instalments of \$28.75 (the equivalent, when paid for 240 months, of the sum insured, on the basis of interest at the rate of $3\frac{1}{2}$ per cent per annum) payable

To the insured, if he/she, while this insurance is in force, shall become totally and permanently disabled, commencing with such disability as established by the award of the director of the bureau and continuing during such disability; and

To the beneficiary or beneficiaries hereinafter designated, commencing upon the death of the insured, while the insurance is in force, and (except as otherwise provided) continuing for 240 months if no instalments have been paid for total and permanent disability or, if any such instalments have been paid, then for a number of months sufficient to make 240 in all:

To Sarah Doe, wife of the insured;

If no beneficiary within the permitted class be designated by the insured, either in the insured's lifetime or by his last will and testament, or if any

above designated beneficiary is or becomes disqualified or does not survive the insured, the insurance (or if any above designated beneficiary shall survive the insured, but shall not receive all the instalments, then the remaining instalments) shall be payable to such person or persons within the permitted class of beneficiaries as would under the laws of the insured's place of residence be entitled to his personal property in case of intestacy.

If the insured became totally and permanently disabled before this policy was applied for, it shall nevertheless be effective as life insurance, but not as insurance against such disability.

This policy is not assignable, and payments thereunder to the insured or a beneficiary are not subject to claims of creditors of the insured or beneficiary.

The insured may at any time, subject to the regulations of the bureau, change the beneficiary or beneficiaries to any person or persons within the classes permitted by the act, without the consent of the beneficiary or beneficiaries.

Upon the written request of the insured, accompanied by this policy for indorsement, or after his/her death, upon request of a beneficiary at the time of making claim, the insurance payable to any beneficiary may be converted into instalments of reduced amounts payable for 240 months certain and for as much longer as such beneficiary shall survive, such instalments to be computed in accordance with the American Experience Table of Mortality and $3\frac{1}{2}$ per cent interest.

Premiums shall be paid monthly on or before the last day of each calendar month and will, unless the insured otherwise elects in writing, be deducted from any pay due him/her from the United States or deposit by him/her with the United States, and, if so to be deducted, a premium when due will be treated as paid, whether or not such deduction is in fact made, if upon the due date the United States owe him/her on account of pay or deposit an amount sufficient to provide the premium, provided that the premium may be paid within thirty-one days after the expiration of the month, during which period of grace the insurance shall remain in full force. If any premium be not paid, either in cash or by deduction as herein provided, when due or within the days of grace, this insurance shall immediately terminate, but may be reinstated within six months upon compliance with the terms and conditions specified in the regulations of the bureau.

If the age of the insured has been misstated, the amount of insurance shall be adjusted at the amount not in excess of \$10,000 which the premium actually paid would purchase at the insured's attained age.

During the present war and for not more than five years thereafter, or until the earlier conversion of this policy as hereinafter provided, the monthly premium shall be in accordance with the following table of rates, increasing at each anniversary of the policy to the rate for his/her then attained age:

TABLE OF PREMIUMS FOR \$5,000
(Ages 15 to 65)

Attained Age	Monthly Rate	Attained Age	Monthly Rate
15.....	\$3.15	41.....	\$4.10
16.....	3.15	42.....	4.20
17.....	3.15	43.....	4.35
18.....	3.20	44.....	4.45
19.....	3.20	45.....	4.60
20.....	3.20	46.....	4.75
21.....	3.25	47.....	4.90
22.....	3.25	48.....	5.15
23.....	3.25	49.....	5.40
24.....	3.30	50.....	5.70
25.....	3.30	51.....	6.00
26.....	3.35	52.....	6.35
27.....	3.35	53.....	6.75
28.....	3.40	54.....	7.20
29.....	3.45	55.....	7.65
30.....	3.45	56.....	8.20
31.....	3.50	57.....	8.80
32.....	3.55	58.....	9.50
33.....	3.60	59.....	10.25
34.....	3.65	60.....	11.05
35.....	3.70	61.....	12.00
36.....	3.75	62.....	13.00
37.....	3.80	63.....	14.10
38.....	3.85	64.....	15.35
39.....	3.95	65.....	16.75
40.....	4.05		

Not later than five years after the war this policy, if written request be made to the bureau therefor, accompanied by this policy, will be converted without medical examination into any form of insurance selected from among those that may be prescribed by regulations of the bureau. Such converted insurance will be at net premiums, computed in accordance with the American Experience Table of Mortality and $3\frac{1}{2}$ per cent interest per annum and will provide for cash, loan, paid-up and extended insurance values.

Wherefore the United States of America has caused this policy to be signed by the Secretary of the Treasury and by William C. De Lanoy, the Director of the Bureau of War Risk Insurance, and countersigned by the registrar or an assistant registrar of the bureau.

William C. De Lanoy,

Director of the Bureau of War Risk Insurance.

W. G. McAdoo,
Secretary of Treasury.

Countersigned at Washington, D. C., this day of,
19....

....., Registrar.

4. Persons entitled to apply for this insurance are:

(1) A commissioned officer (including a warrant officer) in active service in the military or naval forces of the United States.

(2) Any person, male or female, enlisted, enrolled or drafted into active

service in the military or naval forces of the United States, including non-commissioned and petty officers and members of training camps authorized by law.

The term "military or naval forces" means the Army, the Navy, the Marine Corps, the Coast Guard, the Naval Reserves, the National Naval Volunteers, and any other branch of the United States service while serving pursuant to law with the army or the navy.

(3) Any member of the Army Nurse Corps (female) or of the Navy Nurse Corps (female) while employed in active service under the War Department or Navy Department, respectively.

5. Insurance may be applied for in favor of one or more of the following persons with sum of \$500 or a multiple thereof for each beneficiary; the aggregate not exceeding the limit of \$10,000 and not less than \$1000 upon any one life:

Husband or wife.

Child, including legitimate child; child legally adopted before April 6, 1917, or more than six months before enlistment or entrance into or employment in active service, whichever date is the later; stepchild, if a member of the insured's household; illegitimate child, but, if the insured is his father, only if acknowledged by instrument in writing signed by him, or if he has been judicially ordered or decreed to contribute to such child's support, and if such child, if born after December 31, 1917, shall have been born in the United States or in its insular possessions.

Grandchild, meaning a child, as above defined, of a child as above defined.

Parent, including father, mother, grandfather, grandmother, stepfather and stepmother either of the insured or of his/her spouse.

Brother or sister, including of the half blood as well as of the whole blood, stepbrothers and stepsisters and brothers and sisters through adoption.

Unless other designation is made by the insured, such person or persons, within the permitted class of beneficiaries, as would under the laws of the place of residence of the insured be entitled to his personal property in case of intestacy shall be deemed designated as the beneficiary or beneficiaries to whom shall be paid any instalments remaining unpaid upon the death, or disqualification under the provisions of the act, of any named beneficiary.

6. In case the applicant does not desire the premium to be deducted from his/her pay (or his/her deposit) he/she should so elect in writing at the time of making application; but if no election is made it shall have the effect to provide for such deduction from his/her pay, or if such pay be insufficient, any balance from his/her deposit.

7. Applications for insurance are to be made upon the blanks provided by the bureau, but any writing sufficiently identifying the applicant and specifying the amount of insurance shall be deemed sufficient. Upon request of the bureau, however, the applicant shall fill out and sign the proper blank as of the original date.

8. If a signed writing requesting insurance for less than \$4500 is mailed or delivered before the 12th day of February, 1918, to the Bureau of War Risk Insurance, Washington, D. C., or to any branch thereof or to any officer

of the United States authorized to receive the same, such insurance, in the absence of other specification in such writing, shall be and be deemed applied for and the contract made on such 12th day of February, 1918, the provisions of Section 401 as to automatic insurance meanwhile continuing in full force; if so mailed or delivered on or after such day, or if for \$4500 or more, though mailed or delivered before such day, the insurance shall, in the absence of other specification in such writing, be and be deemed applied for and the contract made on the day of mailing or delivery.

9. These terms and conditions are subject in all respects to the provisions of such act and of any amendments thereto and of all regulations thereunder now in force or hereafter adopted.

WILLIAM C. DE LANOY,

Director of the Bureau of War Risk Insurance.

Washington, D. C., October 15, 1917.

TREASURY DEPARTMENT

Bureau of War Risk Insurance

Division of

Form 2

Military and Naval Insurance

APPLICATION FOR INSURANCE

My full name is.....

Home address.....

(No. and street or rural route)

(City, town or post office) (State)

Date of birth..... Age.....
(Month) (Day) (Year) (Nearest birthday)

Present rank..... Present station..... Date of enlistment.....
(Month) (Day) (Year)

I hereby apply for insurance in the sum of \$. payable to myself during permanent total disability and from and after my death to the following persons in the following amounts:

Relationship	Name of Beneficiary	Post Office Address		Amount of Insurance for each beneficiary (In multiples of \$500 only)
		(a) No. and street or rural route	(b) City, town or post office and State	
.....	(a)	\$
.....	(b)
.....	(a)
.....	(b)
.....	(a)
.....	(b)
.....	(a)
.....	(b)

File Number	Policy Number
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In case any beneficiary die or become disqualified after becoming entitled to an instalment but before receiving all instalments, the remaining instalments are to be paid to such person or persons within the permitted class of beneficiaries as would under the laws of my place of residence be entitled to my personal property in case of intestacy.

I authorize the necessary monthly deduction from my pay, or if insufficient, from any deposit with the United States, in payment of the premiums as they become due, unless they be otherwise paid.

If this application is either for more than \$4000 insurance or is signed on or after February 12, 1918, I offer it and it is to be deemed made as of the date of signature.

If this application is for less than \$4500 insurance and in favor of wife, child or widowed mother and is signed before February 12, 1918, I offer it and it is to be deemed made as of February 12, 1918.

If this application is for less than \$4500 and in favor of some person or persons other than wife, child or widowed mother and is signed before February 12, 1918, I offer it and it is to be deemed made as of

{ Date of Signature }
{ February 12, 1918, } Strike out whichever is not wanted.

NOTE.—If in the last paragraph, you strike out "Date of Signature" leaving "February 12, 1918," the law gives you \$25 a month for life in case of permanent total disablement occurring prior to such date and the same monthly amount to your wife, child or widowed mother, but nothing to anyone else in case of your death before such date, and the insurance for the designated beneficiary other than wife, child or widowed mother is effective only if you die on or before February 12, 1918.

If you strike out "February 12, 1918," leaving "Date of Signature," a smaller insurance both against death and disability takes effect at once, but is payable in case of death to the designated beneficiary.

Signed at

the day of, 191

Witnessed by (Sign here)

.....

The situation presented by this law, so far as at this early date its ultimate effects can be known, is well presented by an authority as follows:¹

While all is still guesswork, it now seems not unlikely that an average of at least \$7500 for each officer and man in the service may be applied for. If this guess is not extravagant, the War Risk Bureau will have on its books within four months something like \$15,000,000,000 of soldiers' and sailors'

¹ Editorial by Arthur Marsh in *The Economic World*, n. s., vol. xiv, No. 18, p. 632.

life and disability insurances; while if it becomes necessary, as the present war situation would appear to indicate, to increase the country's military and naval forces to 5,000,000 men or more, the sum total of the outstanding insurances might be raised to \$30,000,000,000 or even perhaps \$40,000,000,000. This last amount would be nearly double the aggregate of the outstanding insurances of the existing American private insurance companies at the end of 1916 (about \$24,600,000,000), and nearly \$10,000,000,000 in excess of all the outstanding life insurances of all kinds in the United States on that date, including those of the fraternal benefit associations. In fact, it would not fall so very far below the sum total of all the life insurance outstanding in the entire world at the present time.

Whether or not the sailors' and soldiers' life and disability insurances written by the War Risk Bureau ultimately reach an aggregate amount so enormous as this, it seems tolerably certain that before the end of the war they will have outstripped the total of life insurances written in this country by private agencies. It goes without saying that the creation of so unprecedented an amount of life insurance conducted by a single institution—and that governmental in character—can not fail to have powerful effects for the private companies. These effects, too, must be felt for a very long period of time, much more than an ordinary generation; for, according to life insurance experience, more than three-quarters of a century will have elapsed before the last of the youths now governmentally insured will have died.

Although, naturally, the obscurity which surrounds the future action of forces so vast as those set in motion by a scheme of this magnitude, is far too dense to make it possible to penetrate deeply into the matter and to answer with much assurance of correctness the question of the consequences that will be found in the long run to flow from it. . . .

The immediate effects of the government insurance upon the private institutions are likely to be of much less consequence than the future effects; and yet the former may prove to be not inconsiderable. The chief of these immediate effects will perhaps be the cancelation of existing policies with the private companies, in order that the maximum of the government insurance may be comfortably carried. . . . It is true, to be sure, that but a small proportion of men below the age of thirty—the upper age limit for the rank and file in the conscripted army—have reached the point of taking out life insurance at all; and those that have insured themselves have as a rule taken only very moderate amounts of insurance. The companies, therefore, would be exposed to no great amount of cancelations on the part of the enlisted men. The case of the officers is somewhat different, since there is no maximum age limitation for them, and in fact a majority of them belong to the ages at which life insurance is most freely taken out, so that the sum total of the officers' insurances exposed to cancelation is no doubt a very respectable amount. Yet, after all, it is improbable that the companies will lose in this way any very large percentage of the business now on their books—and it may well be that they would prefer to lose this, rather than have to meet the war risk exposure upon it.

When we turn from the immediate to the future effects of the govern-

ment insurance upon the business of the private companies, that future effect which is most clearly discernible is the probable large proportionate reduction in the number of potential policyholders during the quarter-century or so following the war. Should our military and naval forces be brought up to 5,000,000 men or more, and should the great majority of these take the government insurance to the largest extent their pay, their other income and the resources of their families permit, a great gap would be made in the normally expected clientele of the private companies—assuming, of course, that the insured soldiers and sailors upon their return to civil life avail themselves of the privilege of converting their war policies into one or another of the usual forms of life insurance. That such conversion will be made by the great majority of those thrifty enough to carry any life insurance at all seems more than probable, inasmuch as the premium rates will contain virtually no loading for commissions and but a light loading for expenses—and consequently will be lower than any rates feasible for private companies, unless the latter can overcome the handicap by means of unusually high investment earnings.

Here, then, as it appears to us, is a very real problem, which the private companies must face in the future as a result of the soldiers' and sailors' life and disability insurance.

It is to be especially noted that the cost of this insurance to the insured is very moderate. This is due to the fact that the government pays all the administrative expenses and bears the excess mortality. The insured does not have in his premium any charge for the agent's commission, the examination fee, rent, offices or any of the ordinary costs of a policyholder in a regular private insurance company, except the mortality cost, and a part of this is borne by the government. The applications up to December 1, 1917, totaled 156,511, calling for insurance of \$1,341,178,500. This is an average of \$8,588 per man.

In addition to this life insurance, there is also granted another kind of insurance—disability—the discussion of which properly belongs in this chapter of the effects of the war on insurance.

As is generally known, it has become the practice of many life insurance companies to incorporate in their regular policies of life insurance a clause known as the Disability Clause, which provides that in case of the permanent and total disability of the insured, no further premiums are required of him. The policy then either becomes paid up and is paid to the beneficiary on the death of the insured, or is paid in instalments.

Under the United States law for the insuring of those in military and naval service, compensation is paid for disability. The compensation is on a monthly basis and varies from \$30 to \$100 per month, in case of total disability, the amount being adjusted to the number of dependents or the extent of the disability, as in the case of the loss of both feet, hands or eyes, when the rate of compensation is \$100 per month. In case the disability is partial, "the monthly compensation shall be a percentage of the compensation that would be payable for total disability, equal to the degree of the reduction in earning capacity resulting from the disability." A schedule or ratings of reductions in earning capacity from specific injuries or combinations of injuries of a permanent nature is to be adopted and applied by the administrators of the law. In addition to this compensation, the law provides further that such reasonable medical, surgical and hospital services shall be furnished by the United States, as well as such artificial limbs, trusses, and similar appliances, as "the director may determine to be useful and reasonably necessary." An especially interesting and important feature of the disability insurance is that one which provides for a system of reeducation for those cases "of dismemberment, of injuries to sight or hearing."

The government provides this system of vocational training and reeducation and requires the insured to pursue the course of training. In case of wilful failure to do so, the compensation is suspended. In case such a course prevents the injured person from acquiring a substantially gainful occupation, a form of enlistment into the military or naval service may be required. This enlistment will entitle the person to full pay on the basis of the last month of his active service and his family to family allowance and allotment in lieu of all other compensations for the time being. Just what use would be made of these partially disabled persons is uncertain, and this, like many other sections of the law, leaves the matter open for later administrative regulation or judicial interpretation.

The good features of this unusual experiment in government

life insurance by the United States are evident. The measure was adopted when feelings of patriotism were at a high point. There was a disposition to be impatient with those who opposed the measure and perhaps weaknesses in it will develop because of the fact that it was not subjected to the normal amount of criticism of bills in times of peace as they proceed through Congress. Few cared to appear as wishing to treat the soldiers and sailors in any but the most liberal manner. The offering up of a life in the service of the nation does not easily lend itself to the counters of the market place, and to many the most liberal treatment of those who were entering the active war service of the nation seemed but an inadequate compensation for the risk which they were assuming. Nevertheless, these laudable sentiments of those instrumental in enacting the legislation and those silent critics will not do away with the purely practical problems which will arise in the applying of the law.

Probable Results of Government Insurance

The results may ultimately be very great. If, for example, it is found by experience that the government can successfully insure four or five millions of its citizens who are at war, it may well be asked why it can not insure those many other millions who are in civil life. In other words, the act may result in bringing to the front, as a practical question, government life insurance and the prohibition of private life insurance. It is not suggested that this would be a public calamity, but this example is given as only one of the many practical questions of large import which may arise as a result of this public insurance act.

Other questions may concern themselves with the administration of the law in its political party aspects. Theoretically, the government ought to be able to conduct this public life insurance organization at an actually lower per unit cost for the overhead expenses, even if such elements as rent and interest on the investment were allowed. The business of life insurance seems to be

one subject to a considerable degree to the principle of decreasing cost, and the government ought to be in position to take peculiar advantage of this principle. However, as is well known, practical considerations often interfere with the realization of theoretical possibilities. In some countries, as, for example, Australia, the private insurance organizations in competition with state insurance seem to have been able to supply life insurance on as advantageous terms as the public organization.

III

THE EFFECT OF THE WAR ON SOCIAL INSURANCE AND PENSIONS

No other form of insurance was receiving more attention preceding the war than the so-called social insurance. In many respects, all forms of insurance are social, and the term "social insurance" does not mean the same thing in all countries or to all students of insurance. It may be defined in a general sense to include all those kinds of insurance which have for their purpose the securing of social benefits as contrasted with benefits to the individual and which, therefore, have in their conduct a large degree of governmental participation, either as minute supervision, or as a form of insurance transacted in part or in whole by the government. The specific forms of insurance usually included under the term "social insurance" are workmen's compensation for death or injury while in employment, unemployment, sickness and old age insurance. For the purpose of this discussion of the effect of the war on social insurance, allowances for the family of soldiers and sailors, and pensions will be included.

GROWTH OF SOCIAL INSURANCE

The great development of social insurance during the last quarter of a century has been due to a number of causes.

In the first place, there has been an undoubted development of what may, for lack of a better term, be called a social conscience; that is to state, society has increasingly realized that in the operation of the prevailing economic system, certain costs are entailed which are properly social costs instead of individual costs, and that principles of justice dictated that such costs should be borne by society as increased taxes to pay in whole

or in part the cost of old age pensions, invalidity, and compensation insurance. Or the cost may have been met by an increased price for the goods and services produced by those who benefited directly by the particular form of insurance.

In the second place, the growth of representative government in most of the leading nations and the increased political power of the wage earners have furthered the development of social insurance.

In the third place, social insurance has shared in the scientific development of business. By this is meant that in the improved organization of business the importance of the rôle which labor plays has come to be recognized, and it is good business to conserve and protect this labor force.

In the development of social insurance the governments have had a large part and, strange as it may seem, at first thought, this form of insurance has had a much more extensive development in the European nations than in the United States. In the latter country, both on account of a persisting individualism and the relatively higher wages and greater opportunities for the wage-earning class, the adoption of social insurance has lagged behind that of Europe. In the Australasian countries, on the other hand, where industrial development has been even more recent than in the United States, such insurance has had a greater development. This is probably due, primarily, to the better organization of the labor class which has made possible the exertion of a strong influence on governmental policy.

EFFECT OF WAR ON SOCIAL INSURANCE

The war is having both positive and negative effects on social insurance. In the former respect, it is causing an increased participation by the governments in certain forms of this insurance, especially that having for its purpose the aiding of families of those directly engaged in the service of the nation. If, as seems probable, one result of the war will be to give the wage earners an increased influence in government, it may be expected

that this form of insurance will have a marked development at their hands.

The brunt of the actual warfare is being borne by this class in society, and it may well happen that they will insist that the particular society or nation "saved" by their sacrifices shall bear the cost, and it may also well happen that the social aspect of producing goods and services will be emphasized if the political power rests after the war more largely in the hands of the masses.

On the other hand, there are certain negative effects of the war on social insurance. Owing to the staggering costs of the war, every nation has been compelled to increase taxes and call upon its citizens to loan their funds to the government. This has been true not only of belligerents, but also of many neutrals, and has necessitated the strictest economy by the nations, so that accustomed expenses have been curtailed. It has been a question of finding new sources of revenue, reducing wherever possible expenses and postponing plans for additional outlays. Social insurance has thus suffered, both because plans for its extension have been curtailed in many cases, and also because there has been an abandonment or modification of plans of it actually in practice.

The enormous increase in the cost of living has affected sickness, old age, workmen's compensation, and family allowances. The sums granted by the original acts often are pathetically small under the prevailing high level of prices.

A discussion of the status of social insurance under war conditions in the leading nations will show how it has been affected.

SOCIAL INSURANCE IN THE UNITED STATES

It has been stated that in the United States certain forms of this insurance have had little or no development. This statement applies particularly to old age, sickness, and unemployment insurance. Whatever of health insurance there is, has been a matter for the individual to transact with the ordinary private

companies. The same is true of a large amount of personal accident insurance, while unemployment and old age insurance have had no special application. Compensation insurance laws are in force in a large majority of the states, all except five of them having some form of compensation insurance for workmen injured in the course of their employment. Likewise, the federal government has a similar law for certain classes of federal government employes or those engaged in interstate commerce. There has been no disposition to abandon these plans of insurance, although the great increase in the cost of living makes the awards, either granted by the award boards or established in the law, of much reduced value to the recipients.

There has been, however, a large extension of the activity of the federal government in providing allowances and other assistance to the individuals and their dependents because of their enrollment in the service of the nation. In the part of this study devoted to marine insurance, the provision or allowance made by the federal governments to officers and men of the navy who lost their lives or were captured has been discussed.

War Risk Social Insurance

However, it is in connection with the second amendment to the War Risk Insurance Bureau Act, passed by Congress October 6, 1917, that the most important government assistance is granted.

This comprehensive act provides for life insurance, which has been previously described, for allotments and family allowances, and for compensation in case of death or disability. The allotment and allowance are compulsory as to wife, a divorced wife who has not remarried and to whom alimony has been decreed, and to a child, and voluntary as to any other person, with certain minor limitations. The monthly compulsory allotment has a maximum of not more than one-half the pay, but not less than \$15. Any additional sum from the monthly pay may be deposited to the credit of the enlisted man, who receives

interest on it from the government at the rate of 4 per cent. In addition, the government may pay, upon proper application by the enlisted man, to his family or beneficiary a sum not to exceed \$50 per month, the particular sum depending upon the number and degree of direct relationship of the dependents or beneficiaries. For this purpose of family allowances, two classes are established: Class A includes the wife and children, and Class B includes the parent, brother, sister, and grandchild. Under certain limitations, both a divorced wife and an illegitimate child are included under the provisions for the allowance. Dependency is the test to be applied in determining the right to the allowance.

Compensation is also provided "for death or disability resulting from personal injury suffered or disease contracted in the line of duty by any commissioned officer or enlisted man, or by any member of the Army Nurse Corps (female) or of the Navy Nurse Corps (female) when employed in the active service."

If death results, the compensation granted varies from \$25 a month for a widow to \$47.50 a month for a widow and two children, with an additional \$5 a month for each additional child up to two. If there is no widow, but dependent children, the compensation for one child is \$20 a month, for three children \$40 a month, and \$5 per month for each additional child up to two. A compensation of \$20 a month is established for a widowed mother.

Certain other allowances are made, as, for example, \$100 for burial expenses and the return of the body to the home. The allowance to the widow or widowed mother continues until remarriage and to the children up to the age of eighteen years or marriage. The term "widow" for this purpose is defined as "one who shall have married the deceased not later than ten years after the time of injury." This limitation was imposed to guard against an evil which was present in the pension systems of the United States. There have been examples where old soldiers, receiving a pension, have been married by those who seemed to be chiefly interested in the pension.

The compensation for disability includes total temporary disability, permanent disability and partial disability. The compensation provided depends upon the degree of disability and the number of dependents. For total disability, the allowance is \$30 a month when no wife or child is living; for a wife and three or more children \$75 per month. If, in addition, the recipient is in a helpless condition, an additional sum of not to exceed \$20 per month is allowed for a nurse or an attendant, but if the disability results from the loss of both feet or both hands or both eyes, or "for becoming totally blind or helpless and permanently bedridden from causes occurring in the line of duty in the service of the United States," the rate of compensation shall be \$100 per month.

In case of partial disability, the compensation is a percentage of that which would be payable for total disability, "equal to the degree of the reduction in earning capacity resulting from the disability." This is an adoption of the general method of awarding compensation under the compensation laws of most of the states.

Still further, the injured person, in addition to the compensation, is furnished by the United States with "such reasonable governmental medical, surgical and hospital services, and with such supplies, including artificial limbs, trusses, and similar appliances, as the director may determine to be useful and reasonably necessary."

The more detailed provisions of this law may be consulted in the Appendix. It may appear unpatriotic and critical to characterize these provisions together with the insurance feature which has been previously described as "generous," since the risk or sacrifice of life for the service of the nation can not be estimated in terms of money. Such allowances are only generous as compared with those which are and have been made by other nations, as well as those which have been made in the past by the United States. This last phase of the comparison brings up the question of the pension system of the United States, which

must now be described in order that a comparison of the value of the two methods may be made.

Pension System of the United States

There are three general types of pensions which have been provided by the United States:

First, the retirement pension for officers and men of the regular establishment. This includes the Army, Navy, Marine Corps, and Coast Guard, but, with the exception of the last named, no allowance is made for an enlisted man unless he has served at least thirty years. But no allowance is made for widows and children of either officers or enlisted men who are killed in the service, except a death gratuity.

Second, the general pensions for officers disabled in the service and not a part of the regular establishment, and for enlisted men disabled in the federal service, as well as for widows, children and other dependents of officers and enlisted men who have been killed in the federal service.

Third, the service pensions provided by various acts of Congress, under which veterans of wars, their widows and dependents have been granted pensions without reference to a disability incurred in the service, or without reference to the cause of death. That is, they are pensions for service to the nation. Under the first class, the retirement allowance has been three-fourths of the active pay. If the retirement was made on account of disability, the pension took no cognizance of this important fact, but was based on the pay received. Nor was the death gratuity to the widow or other beneficiary granted unless the officer or enlisted man was in active service.

In a recent study which has been made of the general and service pension laws the author describes them as follows:¹

¹ *Governmental Provisions in the United States and Foreign Countries for Members of the Military Forces and Their Dependents*, Capt. S. Herbert Wolfe, U. S. Department of Labor, Miscellaneous Series, No. 11.

Service Pensions

The principle that some compensation was due from the government for disability or death had been established by legislation long before the outbreak of the Civil War. In general, in 1860, the man totally disabled in service and the widow and children of the man dying as a result of service were entitled for life to one-half of the pay the man was receiving at the time of his injury or death; the minimum rate for total disability was fixed at \$8 a month and the maximum rate for disabled men and for widows was half the pay of the lieutenant colonel. The man who was slightly disabled received a pension at a lower rate according to the extent of his disability.

In 1862 the minimum for a widow was raised to \$8 and the maximum for a widow or a totally disabled man was reduced to \$30 monthly. Four years later a supplementary allowance of \$2 monthly was granted to the widow for each child under sixteen years of age. The widow's scale was again amended in 1886 by raising the minimum to \$12 monthly. For the disabled man a pension based not on the pay of his rank but on the nature of his disability was first provided in 1864, when he was allowed \$25 monthly for the loss of both hands or the sight of both eyes, and \$20 monthly for the loss of both feet. The list of disabilities for which pension rates were specified was soon extended and practically reached its present form in 1872. The rates have been greatly increased, however, since that time.

During the fiscal year ended June 30, 1860, there were on the pension roll 11,284 persons and the expenditure for pensions was a little over a million dollars. In 1865, the number of pensioners under the general law had jumped to 85,986 and the annual expenditure to \$8,500,000. The number of persons receiving pensions because of disability or death in the service reached its maximum in 1891, with 530,174 persons on the rolls and an annual expenditure of over \$104,000,000. Since that time the decrease in number of pensioners and in annual disbursements for disability or death in the service has been continuous, although during the year ended June 30, 1916, there were still more than 140,000 persons on this roll and the disbursements amounted to \$30,700,000. The total expenditure for these pensions from 1860 to 1916 has amounted to almost two and three-fourths billion dollars (\$2,735,635,725.89). The disbursements to disabled survivors have been more than double those to widows and other dependents, 70 per cent of the total amount having been paid to survivors and 30 per cent to widows and others. It is only since 1878, however, that the annual disbursements to disabled survivors have been greater than those to the dependents of men killed in the service. Year by year from 1864 to 1874, inclusive, the number of dependents on the roll was greater than the number of disabled survivors. And from 1860 to 1877, inclusive, the annual disbursements to dependents were greater than those to survivors.

Service pensions had been granted before 1860 to men who had served at least six months or until the close of the Revolutionary War and to their widows and children. In 1862 a law was passed practically excluding new claims for pensions under these old laws.

The first pension for service in any other war, granted without reference to disability or death incurred in the service, was granted in 1871. This applied only to the War of 1812. The first Mexican War service pension was enacted in 1887 and the first Civil War service pension in 1890.

Since 1890 the monthly rates for service pensions have been repeatedly raised. They are not, however, uniform for the various wars. For example, pensions to Civil War veterans under the most recent act affecting them (May 11, 1912) range from \$13 to \$30, according to age and length of service. Pensions to men who participated in the Indian wars are fixed at \$20 monthly. Pensions to widows without children under sixteen years of age range from \$12 to \$20 monthly. Children under sixteen years of age of men who served at least ninety days in the Civil War are eligible to pension, but no children are provided for under service acts relating to other wars. The rate for each child of a pensioned mother is \$2 monthly; a family of motherless children receives \$12 monthly plus the \$2 extra for each individual child. As with pensions under the general law, a "helpless" child over sixteen is pensionable provided he was under sixteen years of age at the time of his father's death. Dependents other than widow and children are not eligible to service pensions.

Not only have the rates of the Civil War service pensions been raised since 1890, but the limitations concerning disability or dependency have been relaxed. At first a man was eligible to a pension only if he were incapacitated for manual labor, although his disability need bear no relation whatever to his Civil War service, and a widow must have been without means of support other than her own daily labor. Now, however, age without disability entitles a man to a Civil War service pension, and any widow who was married before June 27, 1905, to a man who had served ninety days in the Civil War is entitled to a pension without regard to dependency.

The service pensions for the War of 1812 and the Mexican War had little effect upon either the amounts paid to pensioners or the number of beneficiaries. The Civil War service pension act (1890), on the other hand, raised the total number of pensioners under all laws from approximately 450,000 in 1890 to 965,000 in 1893.

The rates for the service pension at that time ranged from \$6 to \$12 and were higher than those awarded for very minor disabilities under the general law. It would appear that many pensioners may have applied for transfer to the service pension roll, since the total number of pensioners under all laws continued to increase until 1902, although the number of pensioners under the general law declined steadily and rapidly after 1891, and this rapid decline could hardly be accounted for by the number of deaths occurring among the pensioners. Furthermore, the total number of pensioners, after remaining fairly constant for three years after 1902, began to decrease rapidly after 1905, while the decrease in the number of service pensioners did not begin until four years later and was checked temporarily by the passing of a new law in 1912.

The difference between the maximum number of pensioners under the general law and the maximum number under the service acts is noteworthy:

530,000 persons received pensions in 1891 for death or disability incurred in the service; 693,000 persons received pensions in 1909 for service without regard to cause of death or disability.

The effect of the service pension legislation upon pension expenditure has been striking. The total amount paid in pensions from 1860 to 1916 is nearly five billion dollars (\$4,946,792,242.90), and more than two-fifths of this amount, 44.7 per cent (\$2,211,156,517.01), has been paid for service pensions. The largest annual expenditure for pensions under the general law was the \$104,500,000 paid to 530,000 persons in 1891. The largest annual expenditure for service pensions was the \$136,800,000 paid to 627,000 persons in 1914.

In this connection the total number of soldiers and sailors engaged in all the previous wars of the United States is of interest:

Revolutionary War	184,038
War of 1812	286,730
Mexican War	78,718
Indian wars	83,993
Civil War	2,213,365
Spanish War	312,000
Philippines and China	146,151
Total	3,304,995

Payments under the service acts were negligible until after the passing of the first Civil War service act, when they increased from \$1,766,874 in 1890 to \$56,133,570 in 1893. When the service pensions were increased for the older pensioners in 1907, the number of pensioned survivors rose slightly and the annual expenditure, to survivors only, rose from \$57,000,000 in 1907 to \$76,500,000 in 1908. Again, in 1912, the rate was increased and annual expenditure to survivors rose from \$69,500,000 in 1912 to \$94,500,000 in 1913.

In the same way the number of widows on the service pension roll increased a little more rapidly after the change in the widows' law in 1908 and the annual expenditure for service pensions to widows rose from \$21,000,000 in 1908 to \$32,750,000 in 1909.

The total expenditure for pensions has been so great that the millions of dollars appropriated by special acts on behalf of individuals are a small percentage of the total. An analysis of the annual reports of the Commissioner of Pensions shows that from 1861 to 1901, inclusive, the number of new pensioners added year by year plus the number of pensioners receiving an increased amount was 2,837,455 under the public acts and 8,172 under the special acts. Since 1901, however, there has been a marked increase in the amount of special pension legislation, so that the total number of persons affected by special acts from 1861 to 1915, inclusive, had risen to 45,217. Most of the special legislation is concerned with granting a special rate to pensioners already on the rolls under the public laws. Since 1901, for example, seven-eighths of the special acts have granted increased and only one-eighth have added new pensioners to the roll.

The part played by pensioners under special acts during the last six years appears more clearly from the following comparison compiled from the annual reports of the Commissioner of Pensions:

PENSIONS UNDER PUBLIC AND SPECIAL LAWS, 1911 TO 1916

Year Ended June 30	Pensions under Public Laws			Pensions under Special Laws		
	Number of Pen- sioners	Annual Value of Premiums		Number of Pen- sioners	Annual Value of Premiums	
		Total	Average		Total	Average
1911....	869,775	\$148,222,880.80	\$170.40	22,323	\$6,611,357	\$296.17
1912....	838,210	144,973,569.40	172.96	22,084	6,584,572	298.12
1913....	798,184	164,791,688.82	206.46	22,016	6,699,096	304.28
1914....	765,559	160,504,849.26	209.66	19,680	5,944,484	302.05
1915....	726,499	154,531,719.78	212.71	21,648	6,640,722	306.76
1916....	688,913	147,473,711.26	214.07	20,659	6,235,218	301.82

In the European nations the granting of separation allowances is the rule, either upon the enlistment of the man or, in case of need, on the part of his dependents. Since the beginning of the war, the European nations have greatly extended these allowances to dependents.

The table on pages 154 and 155 shows the important statistics in reference to the operation of the pension system of the United States.

Evils of the Pension System

The evils of the pension system in the United States are too well known to need a detailed discussion. In its actual operation the intended recipient has been benefited but little or not at all in many cases. Pensions have not infrequently been used to further political party ends. Considerations of fairness and equity as between individual pensioners have been so often disregarded that the whole pension system in the United States became a reproach to the representative form of government. The generosity of a grateful people to those who gave their lives and services to the perpetuation of the republic was prostituted by selfish considerations.

The contrast between the old system of pensions and that provided by the war risk insurance acts of 1917 is most striking. The feature of compensation, so far as such an end is possible, is made the basis of the new laws. Life insurance, disability insurance, dependent allowances cover the contingencies of death, of support if disabled, and, last, but not least, the family, or the dependents, are provided for during his period of service

DISABILITY AND SERVICE PENSIONS (EXCLUDING TREASURY SETTLEMENTS) ¹ PAID TO SURVIVORS AND TO DEPENDENTS—NUMBER OF PENSIONERS AND ANNUAL DISBURSEMENTS, 1860-1916

[Data from annual reports of U. S. Commissioner of Pensions and data in office of Auditor of the Department of the Interior]

Fiscal Year Ended June 30	Grand Total		Pensions for Disability					
	Number of Pensioners	Amount Paid	Total		Survivors		Widows and Other Dependents	
			Number of Pensioners	Amount Paid	Number	Amount Paid	Number	Amount Paid
Total	.....	\$4,946,792,242.90	.....	\$2,735,635,725.89	.....	\$1,916,325,408.16	.....	\$819,310,317.73
1860...	11,284	1,103,562.03	11,284	1,103,562.03	5,358	467,810.93	5,926	635,751.10
1861...	10,709	1,073,061.55	10,709	1,073,061.55	5,215	469,549.39	5,494	603,512.16
1862...	8,159	790,384.76	8,159	790,384.76	4,341	361,549.75	3,818	428,835.01
1863...	14,791	1,029,143.08	14,791	1,029,143.08	7,821	437,725.97	6,970	591,417.11
1864...	51,135	4,504,616.52	51,135	4,504,616.52	23,479	1,440,975.27	27,656	3,063,641.25
1865...	85,986	8,525,153.11	85,986	8,525,153.11	35,880	2,206,342.06	50,106	6,318,811.05
1866...	126,722	13,459,996.43	126,722	13,459,996.43	55,652	3,872,161.90	71,070	9,587,834.53
1867...	155,474	18,619,956.46	155,474	18,619,956.46	71,856	6,505,773.83	83,618	12,114,182.63
1868...	169,643	24,010,981.99	169,643	24,010,981.99	75,957	7,582,156.85	93,686	16,428,825.14
1869...	187,963	28,422,884.08	187,963	28,422,884.08	82,859	9,509,354.99	105,104	18,913,529.09
1870...	198,686	27,780,805.81	198,686	27,780,805.81	87,521	9,137,362.43	111,165	18,643,443.38
1871...	207,495	33,077,383.63	207,495	33,077,383.63	92,667	12,494,565.73	114,101	20,579,751.85
1872...	232,229	30,169,341.00	212,102	27,855,931.53	96,854	10,494,588.34	115,248	17,561,343.19
1873...	238,411	29,185,289.52	215,092	26,417,378.95	101,234	10,725,797.49	113,858	15,691,581.46
1874...	236,241	30,593,749.56	213,309	28,388,900.21	104,008	11,027,553.22	109,301	17,361,346.09
1875...	234,821	29,683,116.63	213,783	27,794,516.56	107,114	11,934,109.61	106,669	15,860,406.05
1876...	232,137	28,351,599.09	212,944	26,816,789.56	110,033	12,046,820.65	102,911	14,769,968.91
1877...	232,104	28,122,683.48	214,693	26,826,476.75	115,921	13,155,163.55	98,772	13,671,313.20
1878...	223,998	26,530,792.10	209,866	25,467,301.58	121,242	13,271,339.48	88,624	12,195,962.10
1879...	242,755	29,642,430.13	209,940	26,435,204.93	126,994	14,982,867.79	82,946	11,452,337.14
1880...	250,802	37,046,185.89	215,914	33,597,417.36	135,272	20,876,904.64	80,642	12,720,476.72
1881...	268,830	49,723,147.52	233,993	46,719,733.77	155,212	34,531,541.57	78,691	11,452,337.14
1882...	285,697	53,924,566.20	253,902	51,422,083.72	175,499	39,218,215.71	78,403	12,203,868.01
1883...	303,658	60,064,000.23	277,391	57,824,132.01	201,111	44,807,719.81	76,280	13,016,412.20
1884...	322,756	56,908,597.60	299,346	54,943,406.66	221,572	41,416,331.08	77,774	13,527,075.58
1885...	345,125	64,933,288.12	324,968	63,207,000.59	244,201	47,845,006.93	80,767	15,361,993.66
1886...	365,783	63,758,645.65	350,847	62,155,359.62	268,807	48,285,072.17	82,040	15,879,287.45
1887...	406,007	73,447,639.92	384,700	71,520,613.79	297,726	50,179,146.66	86,983	21,341,467.13
1888...	452,557	78,756,847.44	419,800	74,641,770.65	326,835	53,970,451.09	92,965	20,671,319.56
1889...	489,725	88,260,597.56	455,887	84,319,883.45	356,031	57,338,580.29	90,856	26,981,303.16
1890...	537,944	105,511,959.75	504,999	101,786,790.85	398,081	75,252,712.06	106,916	26,534,078.79
1891...	676,160	116,859,709.41	530,174	104,571,848.32	419,046	76,255,717.23	111,128	28,316,131.09
1892...	876,068	139,035,612.68	506,074	84,676,660.15	394,794	63,154,515.76	111,280	21,522,144.39
1893...	966,012	156,641,098.95	475,662	85,274,588.13	365,440	63,413,495.42	110,222	21,861,092.71
1894...	969,544	139,774,654.83	467,759	78,131,599.97	362,274	59,522,220.14	105,485	18,609,379.83
1895...	970,524	139,749,245.80	459,886	77,008,933.05	357,223	59,382,212.01	102,663	17,626,721.04
1896...	970,678	138,049,540.41	449,144	76,188,312.26	349,624	58,960,629.15	99,520	17,227,683.11
1897...	976,014	139,799,242.12	438,080	74,865,082.02	341,087	57,955,504.18	96,993	16,909,578.74
1898...	993,714	144,547,962.63	426,770	75,168,753.73	331,913	58,398,678.25	94,857	16,770,075.48
1899...	991,510	138,253,922.01	414,755	71,044,760.70	321,678	56,032,005.41	93,077	15,012,755.29
1900...	993,529	138,338,469.87	403,145	60,880,938.71	311,484	55,240,323.69	91,661	14,640,615.02
1901...	997,735	138,405,159.74	392,090	68,945,322.00	301,230	53,983,513.99	90,860	14,961,808.01
1902...	999,446	137,400,742.17	381,107	67,134,115.52	288,936	52,523,235.91	92,171	14,610,879.61
1903...	996,545	137,646,132.41	370,235	66,554,973.41	277,481	51,482,730.59	92,754	15,072,242.82
1904...	994,762	140,979,469.72	355,720	66,895,701.23	262,726	51,559,497.80	92,994	15,336,203.43
1905...	998,441	141,036,612.50	337,790	64,854,154.54	245,125	49,808,945.84	92,665	15,045,208.70
1906...	985,071	138,864,409.45	326,964	62,667,691.90	233,669	47,905,172.75	93,293	14,762,510.15
1907...	967,371	138,030,894.22	299,971	60,627,001.30	208,923	46,258,604.88	91,056	14,368,396.42
1908...	951,687	152,059,537.96	264,387	55,316,539.33	174,378	41,354,275.67	90,009	13,962,263.66
1909...	946,104	161,883,599.35	252,594	53,004,939.20	165,458	39,710,576.23	87,136	13,894,362.97
1910...	921,083	159,972,015.18	241,316	51,466,014.35	157,544	38,109,158.38	83,772	13,356,855.97
1911...	862,098	157,323,102.73	230,399	50,081,337.18	150,203	37,278,386.73	80,196	12,802,959.45
1912...	860,294	152,986,105.22	217,747	47,723,111.25	141,451	35,500,420.21	76,296	12,222,682.04
1913...	820,200	174,160,717.85	172,289	43,310,748.77	100,518	31,575,761.79	71,771	11,734,986.98
1914...	785,239	174,408,518.29	157,466	35,515,542.21	89,516	24,428,518.86	67,950	11,087,023.35
1915...	748,147	165,518,266.14	149,998	32,873,864.34	84,948	22,258,063.99	65,050	10,615,800.35
1916...	709,572	159,155,089.92	140,384	30,708,635.48	79,247	20,627,947.06	61,137	10,080,688.42

¹ Payments by Treasury Department to beneficiaries whose pensions had reverted to the Treasury because they could not be located when pensions were due.

² Exclusive of arrears, total, \$120,144.53.

³ Exclusive of arrears of \$39,189.56.

⁴ Exclusive of arrears of \$19,941.95.

⁵ Exclusive of arrears of \$11,598.40.

⁶ Exclusive of arrears of \$14,515.72.

⁷ Exclusive of arrears of \$16,220.63.

⁸ Exclusive of arrears of \$13,076.27.

⁹ Exclusive of arrears of \$5,602.06.

DISABILITY AND SERVICE PENSIONS (EXCLUDING TREASURY SETTLEMENTS) ¹ PAID TO SURVIVORS AND TO DEPENDENTS—NUMBER OF PENSIONERS AND ANNUAL DISBURSEMENTS, 1860-1916, *Cont.*

Fiscal Year Ended June 30	Pensions for Service							
	Total		Survivors [†]		Widows and Other Dependents		Nurses	
	Number of Pensioners	Amount Paid	Number	Amount Paid	Number	Amount Paid	Number	Amount Paid
Total	.....	\$2,211,156,517.01	.....	\$1,604,651,773.16	.....	\$604,711,615.55	...	\$1,793,128.30
1860...								
1861...								
1862...								
1863...								
1864...								
1865...								
1866...								
1867...								
1868...								
1869...								
1870...								
1871...	727	3,066.05	727	2,555.05	.....	511.00		
1872...	20,127	2,313,409.47	17,100	1,977,415.84	3,027	335,993.63		
1873...	23,319	2,767,910.57	18,266	2,078,606.98	5,053	689,303.59		
1874...	22,932	2,204,849.35	17,620	1,588,832.95	5,312	616,016.40		
1875...	21,038	1,888,600.07	15,875	1,355,599.86	5,163	533,000.21		
1876...	19,193	1,534,810.13	14,206	1,089,037.18	4,987	445,772.95		
1877...	17,411	1,296,206.73	12,802	934,657.82	4,609	361,548.91		
1878...	14,132	1,063,490.52	10,407	768,918.47	3,725	294,572.05		
1879...	32,815	3,207,225.20	11,621	1,014,525.66	21,194	2,192,699.54		
1880...	34,888	3,448,768.53	10,138	790,710.39	24,750	2,658,058.14		
1881...	34,927	3,003,413.75	8,898	621,612.80	26,029	2,381,800.95		
1882...	31,795	2,502,482.48	7,134	478,274.85	24,661	2,024,207.63		
1883...	26,267	2,239,877.22	4,931	357,334.81	21,336	1,882,542.41		
1884...	23,410	1,965,190.94	3,898	278,888.85	19,512	1,686,302.09		
1885...	20,157	1,726,287.53	2,945	208,021.20	17,212	1,518,266.33		
1886...	14,936	1,603,286.03	1,539	144,389.59	13,397	1,458,896.44		
1887...	21,298	1,927,026.13	8,572	158,985.69	12,726	1,768,040.44		
1888...	32,757	4,115,076.79	16,866	1,935,415.55	15,891	2,179,661.24		
1889...	33,838	3,940,714.11	17,668	1,849,699.57	16,170	2,091,014.54		
1890...	32,945	3,725,168.90	17,571	1,766,874.63	15,374	1,958,294.27		
1891...	145,986	12,287,855.09	117,775	9,456,727.04	28,211	2,831,128.05		
1892...	309,994	54,358,952.53	308,448	45,282,238.13	61,546	9,076,714.40		
1893...	490,350	71,366,510.82	393,932	56,133,573.07	96,084	15,214,594.80	284	18,342.95
1894...	501,785	61,643,054.86	391,694	46,834,053.62	109,677	14,743,318.38	414	65,682.86
1895...	510,638	62,740,312.75	393,734	48,223,866.77	116,405	14,437,225.72	499	79,220.26
1896...	521,534	61,861,328.15	398,350	46,897,099.22	122,644	14,879,930.21	540	84,189.72
1897...	537,934	64,934,159.20	405,742	48,022,331.04	131,529	16,821,548.49	663	90,279.67
1898...	566,944	69,379,208.90	425,943	51,351,502.80	140,346	17,921,076.71	655	106,629.39
1899...	576,764	67,209,162.21	431,773	50,318,247.18	144,338	16,791,365.36	653	99,549.67
1900...	590,384	68,448,531.16	440,380	51,580,866.13	149,358	17,767,211.83	646	100,453.20
1901...	605,645	69,459,837.74	446,769	51,842,196.27	158,226	17,520,503.87	650	97,137.60
1902...	618,339	70,266,626.65	449,873	51,764,799.99	167,832	18,408,464.19	634	93,362.47
1903...	626,310	71,091,150.00	451,251	51,962,961.72	174,435	19,038,470.48	624	89,726.80
1904...	639,042	74,083,768.49	457,589	54,182,693.30	180,847	19,806,421.32	606	94,653.87
1905...	660,651	76,182,457.96	472,033	56,020,130.76	188,015	20,068,151.87	603	94,175.33
1906...	659,007	76,196,717.55	467,235	56,306,958.24	191,193	19,803,654.05	579	86,104.06
1907...	667,392	77,403,892.02	471,014	57,171,569.10	195,836	20,149,958.89	542	82,364.93
1908...	687,300	97,642,998.63	483,693	76,566,198.47	203,097	21,000,148.09	510	76,652.07
1909...	693,600	108,278,660.15	467,099	75,478,824.04	226,023	32,728,207.11	478	71,629.90
1910...	679,767	108,506,000.83	444,636	74,187,856.02	234,689	34,251,140.88	442	67,003.93
1911...	661,699	107,241,765.55	410,847	72,125,959.35	241,446	35,053,949.27	406	61,856.93
1912...	642,547	105,262,993.97	396,540	69,575,638.55	245,636	35,631,927.59	362	55,427.83
1913...	647,911	130,849,969.08	402,787	94,686,149.48	244,796	36,113,262.97	328	50,556.63
1914...	627,773	136,892,976.08	380,815	100,600,119.10	246,666	36,247,268.58	292	45,588.40
1915...	598,149	132,644,401.80	352,500	96,484,903.58	245,374	36,116,895.29	275	42,602.93
1916...	569,188	128,446,454.44	323,873	92,193,952.45	245,063	36,212,564.79	252	39,937.20

¹ Payments by Treasury Department to beneficiaries whose pensions had reverted to the Treasury because they could not be located when pensions were due.

as well as after his return, if he does not return in a physical or mental condition which makes possible his support of these dependents. The new system is so infinitely superior to the old, that no political party or self-seeking politician should ever dare to attempt to resurrect the old, unjust system.

It is not probable that the war will delay for any long period the development of social insurance in the United States. The principle of workmen's compensation has received a general acceptance, and the few states which do not have such a law will doubtless enact one in the near future. Just before the war there was beginning to be manifested considerable interest in health or sickness insurance, and organizations were formed to agitate the question. In some cases committees had been appointed, some official and others unofficial, to investigate the whole question of sickness insurance with particular reference to its adoption in this country. Some interest and agitation were present also on the subject of unemployment insurance, old age pensions and invalidity insurance. The war has absorbed interest in its problems, but, considering the relative backwardness of the United States in these forms of social insurance, and considering further some of the conditions which will probably prevail after the war, it would seem safe to predict that social insurance will have a considerable development in the United States in the near future, and that part of this development will be caused directly or indirectly by the war.

As the people come to understand better the insurance principle and to realize its enormous social advantages, they will insist that increased use of it as a social agency be made, although this need not prohibit its use for purely private or business ends.

An examination may now be made of the effect of the war on social insurance in the leading nations, including the new provisions for the protection of the dependents of those engaged in the war.

SOCIAL INSURANCE AND PENSIONS IN CANADA

The prewar conditions in Canada were somewhat similar to those in the United States as regards social insurance. Canada has had no such pension experience as the United States has had, but, on the other hand, the various forms of social insurance, as in the States, had had no considerable development. With the entrance of Canada into the war new problems arose in connection with the large number of its population dependent upon those called into service. Provisions for these classes have been made under two general forms: (a) certain benefits payable while in the service, and (b) other benefits payable after discharge.

Under the first arrangement come the provisions of law by which the enlisted man is required to assign at least one-half his pay, and not more than twenty days' pay in each month. In addition, the Canadian government grants an allowance to the families of officers and privates, varying according to rank, rather than according to the size of the family.

In addition to these two classes of benefits, certain municipalities of Canada have insured in private life insurance companies the lives of their citizens for the benefit of their dependents. In the city of Toronto a large part of this insurance is provided by the city itself, instead of by the private insurance company.

Supplementing these benefits is the Canadian Patriotic Fund. This fund is made up from voluntary contributions, from grants by some of the provinces, and from grants by minor political divisions. The fund is managed by private individuals and exists for the purpose of aiding the families of those engaged in the military or naval service. The benefits payable after discharge are either pensions or sums payable during reeducation. The yearly pension varies from \$480 for the rank and file to \$2,700 for a brigadier general. The pension covers both death and disability, the amount paid in case of disability being adjusted to the degree of disablement. Six classes are established for those entitled to pensions. Class I, for example, includes

those of 100 per cent of disability and Class VI includes those with less than 20 per cent of disability. Other allowances are made for each child and for an attendant in case of helplessness.

There has been considerable objection to the plan on account of its low scale, and it is probable that with the continuation of the war, or after its close, adjustments will be made.¹

SOCIAL INSURANCE IN ENGLAND

It is difficult to describe in brief space the social insurance system of England and the effect of the war on it, for the English system, like that of Germany, is very comprehensive. The National Insurance Act of England with its amendments supplied an extensive system of social insurance. Health insurance, unemployment, and old age pensions had been provided in England, and the whole system of social insurance had hardly passed through the initial stages of application when the war began. Adjustments had been made from time to time to improve the system, and the unusual situation brought about by the war produced new conditions. Drastic changes in the National Insurance Act became necessary. Large numbers of women became industrial workers. Still larger numbers of male employes left the service of their regular employers to enter the service of the nation. The regularity of the payments to be made by the employe became a question, as well as the question of who should now make the payments. The Approved Societies, through which the insurance act operated in part, were seriously affected by the change in industrial and financial conditions, with the result that the financial condition of such societies became serious.²

The problem of making provision for discharged and disabled soldiers arose.

It was found by a committee appointed to investigate the con-

¹ For further details, see *Care of Dependents of Enlisted Men in Canada*, S. Herbert Wolfe. U. S. Department of Labor, Miscellaneous Series, No. 10.

² See *Nineteenth Century and After*, No. 485, July, 1917.

dition of the Approved Societies, that the actual expenditures for sickness insurance and maternity benefits had, for the years 1913, 1914, 1915, and 1916, far exceeded the expected and calculated outlays.¹

All these and other complications which arose necessitated a modification of the National Insurance Act. The voluntary features of the act were limited. The benefits were extended to additional classes, especially to the late entrants. Another feature of the act, which did not work satisfactorily, was that which required the state to pay one penny weekly when the wage did not exceed two shillings a day. The societies had the chief work of collecting the state penny and the low wage earner had proved to be the most expensive type of member, from the administrative viewpoint.

The report of Sir Gerald Ryan's commission recommended that the burden of collecting the penny be placed on the employer.²

In other respects the act has been changed to provide for the new conditions surrounding wage earners during war times. It is difficult to hazard a guess in regard to the final effects which the war will have in England on the various phases of social insurance. On the one hand there are to be considered the effects on such social legislation which result from the fact that the people and the government are hard put to it to raise the enormous funds which are necessary to prosecute the war. There is a disposition to reduce wherever possible state expenditures, and, therefore, social insurance is likely to suffer. On the other hand there is increasing evidence of the more powerful influence which is being, and will in the future be, exerted on legislation by the wage-earning class, and as a result of the increasing influence on government of this class, it may well happen that social insurance will be extended.

It is in connection with the different provisions which have been made for soldiers and sailors and their dependents in En-

¹ See *The Economist*, vol. lxxxii, No. 3797, p. 1063.

² *Ibid.*, vol. lxxxiii, No. 3823, p. 1033.

gland, that the most significant results in securing the ends in view under social insurance have been achieved. Allowances may be paid to wives and other dependents while the man is in the military or naval service; other allowances may be made to such a man in case he can prove that certain financial losses under contractual obligations would result in case his payments are not made; disability pensions may be paid for injuries or disease resulting from such service; and, finally, pensions may be paid to wives and other dependents in case of death in the service. The contractual financial obligations for which an allowance may be granted include: interest and instalments on certain loans, rent on furniture or property, insurance premiums, taxes and school tuition.

The separation or family allowances are paid to those directly dependent upon the soldier or sailor. Wives may receive this allowance if the husband makes an allotment of his pay, and in the army such allotment is compulsory except for officers. The minimum is 85 cents per week. In the navy such an allotment is not compulsory, but no allowance is granted unless such an allotment is made by the husband. A separation allowance is made for children, but no allotment from pay is required, and these allowances continue until the child reaches the age of sixteen, and may, under certain circumstances, continue until the age of twenty-one.

Disability pensions are paid to those who are discharged from the service with a certificate that such disability is due to such service. The amount paid depends upon the degree of disability and rank. Allowance in the pension is made for dependent children. The earnings of the disabled soldier or sailor before the war may be taken as a basis of award, if this method is demanded by the disabled one. In no case can his personal allowance and that for the children exceed \$18.24 a week.

Provision is made for treatment and training of the disabled one. All the members of the army and the navy are required to be insured under the National Insurance Act and hence they receive the sums to which they are entitled in case of disability

under this law, as well as these special disability allowances under the regulations for military and naval service. This fact should be kept in mind when any comparison is made with awards established for such men by other countries. Special provisions are made for pensions to officers, which are higher than those to privates.

One of the most important provisions of the new pension act is that which makes an allowance to the widow on the basis of the prewar earning power of the husband. If death results to the soldier, sailor or marine while in active service, or if death results from injuries received in such service within seven years of receiving such wounds or injuries, his widow, children and dependents may receive a pension. Even though death results from injuries not attributable to such service, the widow may receive a pension, payable during the period of the war and for twelve months thereafter.

The permanent pension which the widow receives equals one-half the sum the husband would have received if he had been totally disabled. The widow is allowed \$14.60 for funeral expenses, as compared to the \$100 which is allowed under the allowance act of the United States. If the widow can show that her pension and that for the children granted under the dependency act is less than one-half of what her husband earned in prewar times, she may be granted in lieu of these ordinary pensions a sum equal to one-half of this prewar earning of the husband, provided that \$18.24 is used as the maximum weekly wage for this purpose; that is, under this plan the maximum weekly allowance for the widow and her children would be \$9.12 a week. This again is much lower than the similar allowance in the United States, but again caution must be given in making such comparisons, since in the United States there is no compulsory national insurance act under which the similarly placed widow in Great Britain might receive certain sums.

The pensions for dependents of officers are based both on rank and on causes of death, and are higher than those to privates. The widow of the officer may also choose as a basis

for the award the income of her deceased husband in prewar times.

Dependents other than widows and children may receive pensions. For example, parents may be pensioned when they become incapable of self-support.

In addition to these governmental allowances, a private organization collects from private individuals a patriotic fund which is distributed to soldiers, sailors and families whose allowances and pensions are not sufficient.

It will be understood, therefore, that the provisions made under these laws, ordinances, and decrees of Great Britain, together with the social insurance system previously adopted, secure a large measure of protection for the soldiers, sailors and their dependents. These allowances are not as generous as those in the United States and do not include any provision for ordinary life insurance. But as compared with earlier measures in the European nations for the protection of soldiers, sailors and their families, such provisions may well be considered liberal.¹

SOCIAL INSURANCE AND PENSIONS IN FRANCE

In France there are a family allowance, during the absence of the head in the service of the nation, and a pension to the soldier upon retirement after a period of service, or to the widow upon the death of the husband in service, or as a result of injuries incurred while in service. The assignment of a part of the pay of the soldier is of little significance, since this pay for a private is only 4.8 cents per day. For those above the rank of private there is provision for voluntary assignment of part of the pay to the family and under certain conditions assignment by the military officials, but upon request of the officer such assignment is discontinued. The assignment of military pay is thus a voluntary matter, even for those ranking above the private.

However, the separation allowance in France is more general than in either the United States or Great Britain. It was first

¹ For further details, see the study of Capt. S. Herbert Wolfe, *op. cit.*

established in times of peace and "applies to all needy families of enlisted men whether French, living in France, the colonies, or abroad, or those of allied nations living in France whose breadwinners have joined their own or the French colors, and also all needy French families residing in France, whose breadwinner—not a soldier—is without fault of his own a victim of a circumstance of war suffered on French soil in a region occupied by the French army."¹ This allowance for such dependents amounts to about 40 cents per day and is thus intended to prevent destitution and not to provide for the normal needs of the dependents.

France also makes allowances for maternity benefits, since the population question has in this nation been one of concern to its people, because of the fact that there has been little or no net increase in the general population during recent years. For the same reason there has been granted an allowance or subsidy for large families. It is an annual grant and varies from \$11.58 to \$17.37 for each child under 13 years of age, if there are more than three children, if both parents care for the children. Manifestly, this applies only to the needy families and is in addition to the separation allowance.

There are also pensions for widows and orphans, service pensions, and disability pensions. These are very inclusive and liberal in their application, although the amounts granted are much less than those given under the same acts in the United States.

WAR AND GERMANY'S SOCIAL INSURANCE

Social insurance received such early consideration and extensive development in Germany and the plans adopted there have been studied and imitated to such an extent in other nations, that a more extensive consideration of the German social insurance and its modifications due to the war deserves a more detailed discussion.

¹ Study by Capt. S. Herbert Wolfe, *op. cit.*

A recent writer gives the following concise statement of the leading features of the German plan of social insurance and its chief modifications due to the war.¹

To understand fully the effect of the present world war on the German system of social insurance, it will be first necessary to examine at some length just what the system was before August 1, 1914, and what changes have since been made in it.

Though the German system is commonly spoken of as state insurance, this is only in a measure true. The element of state compulsion, regulation and control is always present, but with the exception of invalidity and old-age insurance, the state does not assume directly any financial responsibility, collect premiums, nor pay the losses, nor guarantee the deficit. However, the degree of supervision, as well as compulsion, distinguishes it from voluntary stock or mutual associations.

Sickness insurance functionates through mutual associations of workmen, the central government authorities undertaking this only when no such associations exist. When the system was inaugurated, some thirty years ago, the various voluntary sick benefit societies were kept up, and where none existed, new ones were founded. Of the many varying types, only three were of primary importance: (1) Local funds organized in occupational or industrial lines; (2) establishment funds and (3) communal insurance. As the communal insurance was replaced in 1911 by the "Landkrankenkasse," a sick fund for the benefit alike of agricultural workers and wage earning groups in cities, at present the local and establishment funds are the two main types of sick insurance in Germany.

At the outbreak of the war, approximately eighteen of Germany's sixty-six millions of population were insured against sickness. Immediately the membership of various societies fell off alarmingly. For example, the Berlin Ortskrankenasse lost 280,000 out of 500,000 members, while in some cases the number dropping out equaled 70 per cent of the original membership. This was due to unemployment and the calling of men to the colors.

It was thought that the diminished premium receipts would be accompanied by greater demands due to sickness contracted at the front and the weakness of those left at home, who had to do unusual and more arduous work. Hence, emergency laws were passed in many cases raising the rate of contribution to 4½ per cent of wages. However, requests for help have greatly decreased, both from patriotism and, it seems, because the war has had the psychological effect of increasing the people's resistance toward real and imaginary diseases. This lessening of demands on the funds of the societies might have been anticipated, particularly as before the war, according to the Fourth Special Report of the United States Commission of Labor, laborers called for help in every petty illness (*Unwohlsein*) and very often, especially when work was slack, came with no illness whatever in an attempt to get from the funds as much as possible.

¹ *The Economic World*, n. s., vol. xi, No. 14, p. 319.

A new law that is hard on the funds of the societies is the "Kriegswochenhilfen," by which a weekly war help is extended to the wives of those injured while at the front. This expense is mainly met by the government, but the societies help in many cases.

The efficiency of the sick benefit societies, whether city, rural, factory or trade, has been safeguarded by many regulations; among other things the allowances have been limited to the normal or minimum rates, while the dues have been fixed upon 4 per cent of the basic wages. Only when the standing of a society is exceptionally good are greater benefits and lower dues permitted.

On December 3, 1914, legislation was enacted providing for a universal childbirth benefit to be paid mostly by the individual societies, though aided by the federal insurances. The law is a heavy burden to the societies, though of great service to the nation. As in time of peace introducers of this measure had always been unable to pass it, it may be said that instead of limiting the war has in some instances widened the scope of social legislation. However, in other cases the opposite is true; to illustrate, proposed accident insurance for home workers (*Hausgewerbeversicherung*) has been given up, in accordance with a general policy of curtailment in this branch of social insurance.

At first there was some doubt whether sick or wounded soldiers were entitled to sick benefits as they were being cared for in the army hospitals, but this was decided in their favor. Death benefits, also, are paid, irrespective of all claims to army and navy pensions. The claim to sick benefits may be expected to last long after the war, as the constitutions of many of those at the front will have been undermined.

Voluntary insurance has greatly aided the societies. Not only have many soldiers continued their payments, but in other cases these dues have been paid for them by their employers or municipalities, as in the case of Leipzig and Liegnitz. "The City of Leipzig enrolls every married soldier living within its confines in the appropriate sickness society, and pays all the required dues, while Liegnitz insures all soldiers whether married or unmarried."

"In consequence of the widespread voluntary insurance and the almost universal disappearance of unemployment, the membership of the sickness societies has again approached comparatively normal figures. Augmented dues have ended all fear of financial difficulties, and the societies are already advocating the repeal of the emergency war legislation so far as it applies to them."

Accident Insurance in Germany

The accident insurance system may next be considered. This provides for mutual associations of employers (*Berufsgenossenschaften*) which are controlled by the state and membership in which is compulsory. Employers are combined in groups according to industry, the groups comprising in some cases whole industries and in other large areas of the country, as is done,

for example, with engineering, the building trades and agriculture. When the geographical or industrial limits of a mutual association are too wide for efficient centralized management, the association may be divided into what are known as "sections," which are in most matters autonomous, questions of the utmost importance alone being referred to the main organization.

In all associations except that for the building trades, the so-called "Current Cost System" is used. That is to say, the premiums charged are only sufficient to pay current costs and not to set up reserves against the future cost of present indemnities. In the case of the building trades, however, according to the Twenty-fourth Annual Report of the United States Commission of Labor, the basis for the calculation of the premiums is the capitalized value of the payments which the insurance institute will probably have to make for accidents on building operations lasting more than six days.

Under the current cost system, which was introduced both to make the burden of accident insurance as light as possible upon the employers during the early years of its inception and because of the difficulty of computing a proper premium rate, the commuted value of present accidents is not considered. Only enough money is assessed to meet liabilities which have actually accrued. The result, of course, is that the yearly disbursements of the associations are steadily on the increase, due to the accumulating carry-over payments against accidents which have occurred in the earlier years. It has been calculated that under normal conditions annual payments would have increased up to the year 1935, when they would have become practically constant, as by that time the number of carry-over payments stopping each year would be approximately equal to the new carry-over payments added. The total of disbursements in any one year tends to become equal to the capitalized cost of the accidents during that year. It would seem that the heavy future costs incurred through war conditions can not but postpone the year at which disbursements will become constant. What this postponed date will be, however, it is at present impossible even to hazard a guess.

As a guard against violent fluctuations in the total of annual payments and hence in the assessments made against employers, a certain reserve is, to be sure, accumulated by the associations. It is interesting to note that Mr. Tecumseh Sherman, recognized as an authority on the subject, states that, in his opinion, this is in reality a disguised war reserve. This hypothesis seems to be substantiated by the fact that the industrial and agricultural employers associations have subscribed eighty and ten million marks, respectively, to the first two German war loans.

In spite of this use of reserve funds, accident insurance has been much less affected by the war than was expected by many, less, in fact, than has been sickness insurance. When the war started, some twenty-five million persons were insured against accidents under the compulsory system. All pensions previously granted had, of course, to be continued, as well as new accidents compensated. Many of the employers could not pay the current cost for the year, due to bankruptcy or absence because of military duty and also because "payments could not be obtained from any of the indus-

trial enterprises owned and conducted by citizens of hostile powers." Furthermore, a much higher accident rate was expected, due to the replacement of skilled workers by less able-bodied and untrained hands and in many cases the substitution of women for men workers. Again many safer occupations were given up for the more dangerous manufacture of munitions and chemicals, where many employees are unskilled, even though experienced in their former pursuits.

To offset this, lump-sum payments, formerly the rare exception, have now in all cases been forbidden, the trades associations giving more and more benefits in the form of hospitals, convalescent homes, societies for cripples, schools and like institutions. Should a financial shortage occur, it will be met by the government, as has already been done in the case of the building trades. Other protective measures suggested are the merging of financially weak associations with those of greater strength, as well as a plan for a general compulsory reinsurance between all associations. If these protective measures should prove insufficient, the compensation of minor incapacities, entailing disabilities of less than 20 per cent, may have to be given up, though it is doubtful if Germany will have to do this in the near future. However, an attempt may be made to lighten the burden by drawing up a somewhat modified scale of pensions, for the present scale is often too high, under frequent conditions exceeding the wage loss.

Old Age Insurance in Germany

The third branch of social insurance is that of old age and invalidity. This system is compulsory for all wage workers in industry, transportation, commerce, agriculture and domestic service; and for salaried employees earning less than two thousand marks per annum. Furthermore, a provision is made for voluntary insurance for many who are not included in the above categories. The insured and the employer each contribute the same premium, while the state gives one uniform bonus to each maturing pension. Weekly payments are made according to a graded scale of five wage groups. The pension for old age is given at the age of seventy, but invalidity is established as soon as the earning capacity is reduced to one-third the normal. The organization and administration of this system of insurance are bureaucratic in character. Most of the administrative bodies are known as "Versicherungsanstalten," insurance institutions which may be described as pension boards. They are organized by the governments of the various states, being formed either for large local government areas, as in the case of Berlin, for divisions of a state, or for an entire state or combination of states.

The war has been a great hardship to this system. Workmen entering the German military service are treated as still insured against invalidity and old age disabilities, but are, however, excused from paying their dues. This even applies to noncombatants who were interned in a foreign country, as in the case of German waiters in London.

When the war broke out, sixteen million persons were insured under this

system. Receipts of the Landesversicherungs Anstalten in 1914 were 678,388,373 marks as opposed to 750,610,659 in 1913. Receipts for the first seven months in 1915 were 25,000,000 marks less than for the same period in 1914. These smaller receipts have been accompanied by increased demands. The Anstalten have appropriated about 5,000,000 marks for war relief purposes, have aided societies for providing food, clothing and fuel for the needy and, according to a recent "Weekly Report" of the American Association of Commerce and Trade, Berlin, have also subscribed \$139,000,000 to the German war loans. In spite of these considerations, the various Anstalten will meet their obligations, as they have reserve funds exceeding \$5,000,000. Moreover, their solvency is guaranteed by the German states, and so as long as these retain their credit, the system will continue.

It is not possible to determine how much of the reserves for the various pension funds have been invested in national bonds, but doubtless, according to Mr. Miles M. Dawson, a very large proportion of the funds which were not invested at the time the war broke out have been put into such securities. Should the payment of the interest and principal of these bonds be withheld, the entire insurance system would be threatened. It seems most unlikely that this will happen in the immediate future, as at present the financial pressure in Germany, including her new bond issues, is apparently quite low.

What the ultimate fate of the German system of social insurance will be is impossible to say. We can, however, consider those factors which will be most important in determining what will take place when peace is concluded.

The duration of the war is the first consideration to suggest itself, for the longer the hostilities continue the less chance will the system have of continuing in essentially its present form. Furthermore, the final ratio of cripples to total working population is a matter of the utmost importance. If it be too large, the system will necessarily break down.

We also have to take into account the question of war indemnity. Three possibilities must be distinguished in this regard: no indemnity may be paid, Germany may receive one, or Germany may have to pay one. The first of these three possibilities seems to be the most likely. However, should Germany receive an indemnity, to what use will it be put? This depends largely on the status of the nations at the close of the war. Should peace be a mere makeshift, the nations discontented, and another war imminent, it seems probable that Germany will save the indemnity in its entirety as was done after the Franco-Prussian War. But should peace appear to be relatively permanent, without doubt a large portion of the funds will be used in helping the insurance associations. On the other hand, should a large enough indemnity be exacted from Germany, the financial pressure may become great enough to force the abandonment of all forms of social insurance, or the repudiation of debts, followed by the consequences mentioned before.

The industrial condition of Germany after the war must be considered in any discussion of this character. The war will be won, not so much by the

strongest nation, in a military sense, as by that nation which is least exhausted economically. It is a war of exhaustion. And yet, the historical record shows that practically every war within the last few centuries has been followed by a wave of prosperity in the lands whose people have returned from the battlefield. There seems little reason that this should not happen again as it has done in the past, though it is unsafe to apply with too much certainty to the present world war any axioms derived from former experience. If the hoped-for prosperity does materialize, the burden of caring for the sick, the injured, the invalids and the aged would be greatly lightened.

These are the factors which will be most influential in determining the future of the social insurance in Germany, though doubtless others will play their part. And yet, taking into account only those considered above, it would seem presumptuous for any one to undertake to prophesy what the ultimate fate of the system will be. Even an opinion would have to be so modified and conditioned as to be almost valueless. However, it is safe to assert that, up to the present, Germany's system of social insurance has more than realized the hopes of its fondest advocate. It is performing in war, and bids fair to continue, those same great services which it has rendered so well in times of peace.

Family allowances varying in amount from \$1.79 monthly to \$3.57 are paid the family of soldiers, the minimum being paid by the imperial treasury and the remaining from the local treasuries. The amount is adjusted to the season of the year, to correspond, it is assumed, to the pressing needs of the family. In any case, the separation allowance is paid only in case of need, and the need is determined by the amount the family is assessed for taxes. The size of the family also affects the grant of this separation allowance.

Soldiers may also assign a part of their pay if it is necessary to support the family, but only in case of necessity, and then only to the wife and children or to such members of the family as were wholly or chiefly dependent upon the soldier.

There is also an indemnity to families whose sons had served six years as privates or noncommissioned officers. Payments under this act stop six months after the son is dismissed from the service or dies.

Maternity benefits were granted under the social insurance law of 1911, and these have been extended to meet the new conditions brought about by the war.

Pensions in Germany

The disability pensions in Germany depend upon the rank, the salary, the length of service, and the extent of the disability. The minimum disability pension for a private is \$128.63, a sum much lower than that in the United States. In addition to the regular disability pension, there are a military bonus for special disabilities, such as loss of sight, a war bonus, an old age bonus, an aviation bonus, and a tropical bonus, the sums being in addition to the ordinary pension. There may also be granted to privates and noncommissioned officers a certificate to the effect that the holder is entitled to a claim to a post in the civil service.

Service pensions for life and increasing with years of service are established for privates and noncommissioned officers who have served in excess of eighteen years and are not entitled to a disability pension.

The widow of a soldier receives a pension until she remarries, and an allowance is also made for each legitimate child under eighteen years of age if unmarried. In general, the widow's pension varies from \$71.46 a year to \$1191 a year. A war pension is granted if the soldier died in battle or as a result of an injury received in war, provided death occurs within ten years after the conclusion of peace. The amount of the war pension is adjusted to the rank of the deceased and to the amount received under the general pension just described.

The calculations for these pensions and other grants for military and naval services, as well as the payments under the Social Insurance Acts, are the result of elaborate calculations and the most systematic arrangements and adjustments.

In lieu of these pensions a lump sum may be granted to disabled soldiers and widows for the purpose of acquiring or improving landed property or cooperating in building or colonizing associations. These amounts are multiples of the annual pensions and are limited to those pensions between the ages of 21 and 55 and to those purposes whose economic success is guaranteed.

The most striking features of the German system of social

insurance and pensions are, thus, its systematic and scientific character and its inclusiveness. It is undoubtedly most carefully thought out and planned for the future ends to be achieved.

SOCIAL INSURANCE IN AUSTRIA

Austria's social insurance system was neither as inclusive nor as well developed as that in Germany, a result, in part, of the absence of unity of the people in this nation and the industrial development, which is far behind that of Germany. The different allowances and pensions follow the plan in Germany. Allowances are provided for the family of the soldier who is called to the colors, and special allowances, as in England, may be made for rent, insurance and other family expenses of this character. This family allowance may not exceed the average daily earnings of the soldier in peace times. If the soldier is totally disabled he receives an annual allowance, and with other family allowances in the event of this disability the family may receive a maximum sum of \$121.56. This sum again illustrates that, as measured by the allowances in the United States, such allowances in the European nations are very small. The widow and children also receive allowances in case of the death of the breadwinner.

The disability pension is adjusted to the period of service after ten years of such service. Bonuses are added to this pension for such circumstances as being wounded in battle.

There are also dependent pensions which apply to the widow, not only in case of death of the husband during times of war, but also upon death during active service in times of peace. In this case bonuses are also allowed for death in battle.

The widow may have a claim to a civil as well as to a military pension, but only the latter is allowed if the husband died in military service. If this military pension allowance is less than the civil pension, the difference is made up from the civil pension fund.

Pensions cease upon remarriage, except that in case of death

of the second husband, she may draw a pension from the first husband in case she is left destitute. Allowances are made for children up to the ordinary age, but such allowances are, like the preceding, much lower than those in the United States.

SOCIAL INSURANCE IN ITALY

In Italy the state has monopolized the business of life insurance, and had established a system of social insurance which had not up to the outbreak of the war secured extensive actual application.

The recent wars in which Italy has been engaged and the enormous strain under which the people have been placed by the present war, make the outlook for social insurance in this country somewhat doubtful, although, as in other nations, the increasing political power of the masses may insist upon an extension after the war of social insurance.

The family allowances and pension systems in operation in this country at the beginning of the war proved inadequate, and there has been in general a revision of these allowances.

The dependents of the soldier, including his immediate family and relatives, must ask for the family allowance which varies in different provinces as well as for the degree of relationship, number and age of dependents. Private funds, administered by government authorities, supplement these allowances. In addition, the government by decree has required private firms to continue, under certain circumstances, the salary or wages to one amount, not to exceed one-half of their employes who are in the service.

Maternity allowances are also made to the wage earning women of families of soldiers.

The pension system has been revised along the lines of the French system, with a general increase over the amounts provided for in the law of 1895.

Disability pensions on the basis of prewar earning power and the size of the family are allowed, as well as retirement pensions after periods of service.

Pensions for widows and other dependents of soldiers killed in the service, or as a result of disease or injury contracted in the service, are provided.

In Italy as well as in most of the European nations at war, more or less recognition has been given in the family allowance and pension legislation or decrees to the claims of illegitimate children.

In the neutral nations of Europe the social insurance plans have been greatly affected. As an indication of the general situation, brief reference may be made to Switzerland and to Denmark.

THE SWISS SOCIAL INSURANCE

Switzerland had adopted and applied before the war an extensive system of social insurance. The sickness and accident insurance system had been adopted by a referendum in 1912, under which the federated government granted subsidies to sick insurance funds. The cantons could make such insurance compulsory, or could assume responsibility for paying the premiums of needy persons for such insurance. These national subsidies amounted to about one-third of the total disbursements. The benefits under the sickness insurance included daily indemnities for loss of time, as well as medical attention.

Accident insurance is compulsory for wage earners in many trades, and the risks insured against include occupational diseases, as well as the ordinary occupational and nonoccupational risks. Each canton conducts this insurance on the mutual plan, but the National Government administers this fund and pays one-half the expenses of administration.

Various attempts have been made in Switzerland to arrange military insurance with private insurance companies. With the outbreak of the war, new legislation in respect to military pensions was necessary, and in 1914 a federal plan of military insurance was adopted. Military service is obligatory on all citizens between the ages of 20 and 48, except in the case of certain persons who pay an exemption tax.

The military insurance pensions and allowances are so related to the federal civil insurance, that the latter become suspended when the person is receiving the military insurance, except in certain circumstances.

The striking feature about the Swiss plan is the use by the government of the insurance principle both for military and civil life risks.¹

THE DANISH PLAN

In Denmark social insurance is also broadly national, although not altogether paternal or compulsory. Sickness and nonemployment are cared for by voluntary clubs, to which the government contributes an amount equal to that derived by the members from dues. Accident insurance is compulsory on employers. Old-age pensions are a paternal dispensation, the expense being shared by the national treasury and the community in which the applicant resides. Such pensions were given to 87,400 persons in 1916, as against 85,700 in 1915 and 83,600 in 1914. On account of the advance in the cost of living, the payments made to the needy aged people were larger during 1916 than in previous years. Disbursements by the state were \$3,750,000 in 1914, \$4,000,000 in 1915, and \$4,500,000 in 1916. The city of Copenhagen houses 17,400 of the old and feeble.

The number of widows with children who received government assistance during 1916 was 7,338, and 16,529 children benefited from the distribution. The amount expended was \$260,000.

What is most striking about these figures is perhaps the very high proportion borne by the number of old-age pensioners and widows in receipt of government allowances to the total population of Denmark. This population was in 1916 approximately 2,800,000 persons of all ages. Of these, 94,738 were beneficiaries of the government old-age pension and widows' allowance systems. The proportion of such beneficiaries to the total

¹ For further details of the systems of pensions and allowances in various European countries for dependents of soldiers and sailors, see the study of Capt. S. Herbert Wolfe, *op. cit.*

population, therefore, was over 3.4 per cent.; while if only the grown-up population is taken into consideration the proportion is well above 5 per cent.

SUMMARY

If an attempt is made to summarize the effect of the war on social insurance and pensions, the following conclusions seem to be warranted:

First, the war has had a tendency to stop for the time being the normal scientific development and extension of social insurance to meet the contingencies arising in times of peace for the large class of wage earners in the nations at war.

Second, by bringing into industry large numbers of women, married and unmarried, the war has brought the need for the extension of many kinds of social insurance.

Third, by the modification of existing social insurance legislation by extension, by decrees or otherwise, an effort has been made to provide for the increased dependency due to the war. Pensions have been increased and made to include greater numbers and additional contingencies.

Fourth, thus, by a recognition of the obligation of the nation to provide for needs arising from direct war service, or industrial service in providing war supplies, the people of the various countries are committed to a much wider use of the social insurance principle. The net result, therefore, of the war on this form of insurance is likely to be an extension of social insurance.

More and more a part of the national income and governmental activity will be, in all probability, devoted to the furthering of plans of social insurance. The needs are so clear and the object lesson so striking, that the social use of the insurance principle will probably be increasingly demanded.

The individualistic concept of sickness, accident, maternity, military service, old age and unemployment will be modified by a clearer recognition of the social responsibility, and what is a collective responsibility will be provided for by collective action.

IV

THE EFFECT OF THE WAR ON MARINE INSURANCE

No other branch of insurance has been so directly and extensively affected by the war as marine insurance. This was due to several facts. In the first place, ocean transportation rose to a position of even greater importance than in times of peace. Such large numbers of the industrial population were diverted either to the service of the armies and navies, or were engaged in the production of war supplies, that there was not only a decrease in the number of producers of food supplies, but also an increased demand for certain kinds of foods and munitions of war. These supplies had to be brought from other countries and an unprecedented demand arose for shipping facilities. In the second place, blockades were established. On the one hand, the nations allied against the Central Powers attempted to prevent supplies from reaching these countries by blockading their entrance ports. On the other hand, the Central Powers declared a blockade of the ports of the Allied nations and by the use of the submarine began to destroy vessels carrying supplies to the Allied nations. These practices led in some cases to a withdrawal of vessels from these dangerous routes and their diversion to other routes. In some cases, as the use of the submarine became more effective, vessels were withdrawn from the carrying trade. In the third place, large numbers of vessels belonging to citizens of the Central Powers were interned at the outbreak of the war in neutral ports. There was thus an increased demand for carriers, a reduction in their number, and a very great increase in the risk of loss of vessel and cargo.

Nor was the loss of vessels and the increased hazard confined to the nations actually engaged in the war. The merchant marine

of such important carrying nations as Holland, Norway, Sweden and the United States, was subjected to heavy losses by destruction of the vessels, the confiscation of their cargoes, and certain limitations on their normal business.

The world war has radically changed the risk of transportation insurance and increased it materially. The regularity of certain highways, their tests for wind current, shallowness and ice-drifts, formed a material safeguard for sea navigation. To-day the ships are forced to take entirely different routes from those used in times of peace; they must pass through waters which have not been charted and in which in case of need it would be difficult for them to secure help. To this is added the fact that the sea patrol at this time can be carried on only very limitedly; many sea signals have disappeared, and the majority of beacons have been extinguished.

MINES

One of the greatest dangers of the war for maritime insurance is caused by mines. In the present war the coasts of all the important countries of Europe are surrounded by mines, which even after the war will form a serious danger to navigation. Even if the war risk is excluded from ordinary transportation insurance, the underwriter must bear a great number of total losses which are actually caused by mines, but with which the exact fixing of the cause of injury is impossible. Many a sunken ship, which one may assume with certainty ran into a mine without being able to prove it, must be completely compensated for by the underwriter. To this must be added, the guiding of vessels on these imperiled routes must now be entrusted to a decreased number of employes who are not completely experienced, as the war marine has withdrawn from the trade many of the best sailors.

Upon the return of vessels from a journey the normal period for repairs was lacking. Most of them had to venture immediately upon the sea again. Under this plan the vessel became

worn out. The completion of new ships, through the shutting down of the majority of wharves which worked only for the navy, became extremely unpretentious. Besides this, it must be emphasized that repeated and entirely unsuitable cargoes became harmful, even dangerous, to the ships. Another cause for heavy damage lies in the extraordinary expense for the repairs of damaged parts. This refers to the material as well as to wages for the work. If in normal times repairs in America had been very expensive, then at the present the damage by sea which must be repaired in America is extremely expensive. Damage, which in normal times could be estimated at 10 per cent, must today be estimated at at least 25 to 30 per cent.

BLOCKADES

A new war chapter of the transportation insurance began February 18, 1915, with the German blockade of England. Immediately after the war broke out, the conflict was carried over to the economic field, but in the trade war the consideration for international rights was soon put in the background. The London maritime law declaration was infringed by a large number of articles being placed on the list of contraband which were not to be used or had very little use in war. A distinction between absolute and relative contraband was not made. The Parisian maritime law declaration was infringed through continued capture of private property from neutral vessels which was not war contraband. While the whole North Sea was declared a seat of war, a blockade of neutral harbors and neutral coasts was declared. The affected neutral countries had to accommodate themselves to the circumstances; especially did they object to the fact that Germans captured on neutral vessels must be delivered to the English Government. Neutral flags were also supposed to have been misused by the nations at war. The following notice was given by Germany to foreigners, neutrals and enemies February 4, 1915: (1) The waters about Great Britain and Ireland are herewith declared a war zone. From

February 18, 1915, every enemy trade vessel met in this territory will be destroyed without always warning the passengers. (2) Also neutral ships will run in danger as the British Government has misused neutral flags, and it is impossible to avoid the attacks on neutral ships, which are intended for enemy ships.

Naturally the sea trade with Holland was materially decreased through this blockade, even though a strip of at least thirty miles broad along the Dutch coast was not declared endangered. This German submarine warfare was followed March 11, 1915, by the English Order in Council, which declared liable to capture all goods to or from Germany and all goods to and from neutral countries if they were German goods or had German origin. This caused a further increase of war insurance premium. These did not yet indicate the high point. To these was added the German declaration of January 31, 1917, which declared the waters around Great Britain, France, Italy, and the eastern Mediterranean countries as blockaded, in which all sea travel would be opposed by guns. For the neutrals, certain defined territories have been left open under definitely restricted guarantees. Through this increased submarine warfare, the war was directed not only against the enemies in arms, but against the entire population of the enemy countries.

To these increased war dangers old dangers are added in increased numbers: fire on board of ships, risk of theft and storehouse risks. In these abnormal times, when goods lie about outside for months, the danger of theft increases. It is asserted that of every shipment some has been stolen. In the European harbors during the war years fire has broken out more than once, and the conflagrations have always caused enormous damages. It has even occurred that the punishment of thefts has been prevented through assistants setting the place afire. The extraordinary conditions of navigation called forth by the war also helped to increase the damage, but still, in spite of this, different companies have secured good results from the transportation insurance.

The brief description which has preceded makes apparent in

what a serious manner the hazards in marine insurance had increased. Thus one of the earliest forms of insurance transacted and one with all the accompanying scientific developments of centuries was thrown into a chaotic state by the war. Unknown hazards had been introduced. Private companies had no bases upon which to establish rates for certain voyages. In many cases marine insurance became a speculation. Vessels may as well have begun a voyage to unknown seas, so far as the companies' having any accurate data upon which to base marine insurance premiums was concerned. There soon came to be, under these circumstances, a dearth of marine insurance. The situation was made even more serious by the fact that two of the leading combatants—England and Germany—were the nations in which a very large amount of marine insurance had been written. The private companies of these nations, especially of England, had been very aggressive in developing marine insurance, and at the outbreak of the war held marine insurance on vessels plying between all the leading parts of the world and owned by the citizens of many different nations. It was apparent that private marine insurance companies could not undertake the insuring of many vessels exposed to these new hazards. The risks as a whole would have been prohibitive for such companies, strong as the financial position of many of them was.

PUBLIC AID AND INSURANCE

The solution of the problem was found either in direct government insurance or in arrangements with the private companies under which the state agreed to act as reinsurers or to carry that portion of the risk represented by the war hazards. In discussing the various plans adopted it will be necessary to refer to the Central Powers only in a general way, inasmuch as their merchant marines are practically off the seas, interned in neutral ports or kept in the home ports.

In England

The plan which was adopted in England has some interesting features. It was the result of the careful investigation of a committee, and was ready for adoption almost at the outbreak of the war. This was a very important consideration in view of the fact that the merchant marine of Great Britain was not only very large, but its continuous operation was also absolutely necessary for the prosecution of the war.

This plan has had such important results in the war that the original agreement and the two leading supplementary agreements are given in full.

Reinsurance Agreement Between the Liverpool and London War Risks Insurance Association Limited (Hereinafter Called the Association) of the One Part and His Majesty's Government of the Other Part.

Whereas, the Association is in the habit of insuring the ships belonging to its members and entered in the Association against war risks but would, but for the promise of reinsurance given by these presents, insure such ships against the risks of King's enemies in the event of war by or against Great Britain for a very limited period only,

And Whereas, His Majesty's Government is desirous on grounds of public safety, that while Great Britain is at war British vessels shall not be laid up or oversea commerce interrupted,

And Whereas, the Association has, at the request of His Majesty's Government, extended or agreed to extend the insurance against the risks of King's enemies, of the ships belonging to its members and entered in the Association, upon the terms that His Majesty's Government undertakes to reinsure the Association as and to the hereinafter provided,

Now, Therefore, it is hereby agreed between the parties as follows:

1. (1) In order that the insurance by the Association of the ships belonging to its members may be extended so as to cover the risks of King's enemies in the event of war by or against Great Britain for the period mentioned in the policy set out in Schedule I, His Majesty's Government agrees to insure as reinsurers of the Association, in the terms of the policy set out in Schedule II, all the ships insured by the Association, and such insurance by His Majesty's Government shall be granted without premium in consideration of the Association as original insurer, insuring the ships against the like risks, and shall cover 80 per cent of the liability of the Association as original insurers.

(2) The original insurance by the Association mentioned in this clause shall be in the terms of the policy set out in Schedule I, with such modifications increasing, but not diminishing, the protection given by the Associa-

tion as the Association may think fit, provided, nevertheless, that the liability of His Majesty's Government shall not extend beyond that which would attach under a reinsurance in the terms of the policy set out in Schedule II of an original insurance in the terms of the policy set out in Schedule I.

2. (1) In order to promote the insurance by the Association of the ships belonging to its members of new voyages to be made after war has been declared or hostilities have been begun by or against the King's enemies, His Majesty's Government further agrees to insure, as reinsurers of the Association, in the terms of the policy set out in Schedule IV, any of the ships belonging to the members of the Association and insurance by the Association for voyages begun after the time when war is declared or hostilities are begun by or against Great Britain, and such insurance by His Majesty's Government shall be at such rates of premium not exceeding 5 per cent, as may from time to time be fixed by His Majesty's Government and shall cover 80 per cent of the liability of the Association as original insurers. Provided that the Association shall be at liberty to reinsure elsewhere if it so chooses.

(2) The original insurance by the Association mentioned in this clause shall be in the terms of the policy set out in Schedule III, with such modifications increasing, but not diminishing, the protection given by the Association as the Association may think fit, provided nevertheless, that the liability of His Majesty's Government shall not extend beyond that which would attach under the reinsurances in the terms of the policy set out in Schedule IV of an original insurance in the terms of the policy set out in Schedule III.

(3) In order to enable the Association to fix the premium to be charged by it on the original insurance in respect of such voyage, His Majesty's Government shall give notice in writing to the Association of the rates of premiums charged by His Majesty's Government upon the reinsurances and of any changes in the rates, and ships insured by the Association shall be reinsured by His Majesty's Government at the rate which was applicable to the voyage according to the notice received by the Association at the time when the contract for the original insurance by the Association was concluded.

Provided, that if the ship insured did not sail within fourteen days from the time when the original insurance is concluded, His Majesty's Government shall be bound to reinsure only at the rate applicable to the voyage at the time when the ship actually sails.

The Association agrees that it will not charge its members an initial premium at a higher rate than the rate charged by His Majesty's Government and that any excess of losses over premiums shall, as between the Association and its members, be made good by a call upon the members as may be provided by the Articles of Association of the Association.

(4) His Majesty's Government may give notice in writing to the Association of any voyage for which His Majesty's Government is not prepared to insure and shall not be bound to insure for any such voyage, any ship in respect for which the contract for the original insurance by the Association was

concluded after the receipt by the Association of the notice applicable to such voyage.

(5) Notwithstanding anything contained in paragraph (4) of this clause, His Majesty's Government shall be bound to insure any ship for voyage to a British port from a neutral port at which the ship, being on a voyage or in port at that time when war is declared or hostilities are begun by or against Great Britain, ceases to be covered by a policy in the terms of the policy set out in Schedule II.

3. His Majesty's Government shall accept for the purposes of all reinsurances the values agreed between the Association and its members on the original insurance.

4. The Association shall keep His Majesty's Government advised of the original insurance in respect of which His Majesty's Government is bound to reinsure the Association and His Majesty's Government shall as requested issue insurance policies accordingly.

5. His Majesty's Government may appoint two representatives who shall be entitled to attend the meetings of the Committee of the Association.

6. The Association shall permit the representatives of His Majesty's Government at all convenient times to examine the books and documents of or in the possession of the Association relating to the original insurance and any loss or claims thereunder, and shall also give all the information in the possession of the Association relating thereto and so far as lies in its power produce or procure the production of all books or documents which the Association is entitled to have production of in connection with the original insurance and any losses and claims thereunder for the examination by such representatives of His Majesty's Government.

7. All settlements, decisions of the Committee of the Association, unless dissented from in writing by the representatives of His Majesty's Government on any of the following matters, shall be accepted by His Majesty's Government as binding and conclusive, and His Majesty's Government agrees to follow and be bound by the same, namely:

(a) The settlement of loss and claim attaching to any policy underwritten by the Association.

(b) The decision upon all questions of cancelation and return of premium and upon all questions of average deposits and other deposits or contributions and upon all questions of salvage and refund and generally upon all matters appertaining or incidental to the insurance.

8. His Majesty's Government shall bear and pay its ratable proportion on any expenses incurred by the Association in connection with its loss or claim.

9. As between His Majesty's Government and the Association all money payable to the Association in respect of loss, claims, deposits, expenses or otherwise shall be debited in account and all money payable to the Association in respect of premiums, salvages or otherwise shall be credited in account, but if at any time the amount due on balance to the Association exceeds £20,000, the excess shall be paid by His Majesty's Government to the Association within seven days of a request for payment by the Association.

10. The accounts between His Majesty's Government and the Association shall be rendered quarterly by the Association to His Majesty's Government within three months after the close of each quarter and the balance due on either side shall be paid within seven days.

11. This agreement may be determined by six months' notice in writing on either side, but notwithstanding the expiration of such notice, His Majesty's Government shall continue to be bound to reinsure the Association in respect of all insurance by the Association for which the contract was concluded before such expiration.

Dated the fourth day of August, 1914.

In Witness Whereof the Liverpool and London War Risks Insurance Association Limited hath hereunto caused its common seal to be affixed, and the President of the Board of Trade for and on behalf of His Majesty's Government hath hereunto set his hand and the seal of the Board of Trade.

The common seal of the Liverpool and London War Risks Insurance Association Limited was hereunto affixed in the presence of

T. ROMER, } *Members of the Committee.* SEAL.
A. A. BOOTH, }

NORMAL HILL, *Secretary.*

Signed by the Right Honorable Walter Runciman, }
M. P., President of the Board of Trade, the seal } WALTER RUNCIMAN.
of the Board having been duly affixed by direction }
in the presence of

R. J. LISTER, *Librarian Board of Trade,*
7 Whitehall Gardens. SEAL.

Supplemental Agreement Between the Liverpool and London War Risks Insurance Association Limited of the One Part and His Majesty's Government of the Other Part.

Whereas, this Agreement is supplemental to an Agreement dated the fourth day of August, 1914, and made between the parties hereto (herein called "the principal Agreement"), and *whereas* by the principal Agreement it is provided that His Majesty's Government shall insure, as reinsurers of the Association, in the terms of the policy set out in Schedule IV to the principal Agreement any of the ships belonging to members of the Association and insured by the Association in the terms of the policy set out in Schedule III to the principal Agreement for voyages begun after the time when war is declared or hostilities are begun by or against Great Britain, and *whereas* it has been agreed between the parties that such insurance by His Majesty's Government shall not be limited to voyage policies but shall, at the option of the Association, be for time as hereinafter provided, and that the principal Agreement between the parties shall be otherwise modified as hereinafter provided,

Now, Therefore, it is agreed between the parties as follows:

1. His Majesty's Government agrees to insure, as reinsurers of the Association in the terms of the policy set out in the Schedule hereto marked VI any of the ships belonging to members of the Association and insured by the Association for time beginning after the time when war is declared or

hostilities are begun by or against Great Britain, and such insurances and at such rates of premium as may from time to time be fixed by His Majesty's Government and shall cover 80 per cent of the liability of the Association as original insurers.

2. The original insurances for time by the Association mentioned in the preceding clause shall be in the terms of the policy set out in Schedule hereto marked V with such modifications increasing but not diminishing the protection given by the Association as the Association may think fit provided nevertheless that the liability of His Majesty's Government shall not extend beyond that which would attach under a reinsurance in the terms of the policy set out in Schedule VI of an original insurance in the terms of the policy set out in Schedule V.

3. The Association shall not charge its members an initial premium at a higher rate than the rate charged by His Majesty's Government and any excess of losses over premiums shall, as between the Association and its members, be made good by a call upon the members as may be provided by the Articles of Association or Rules of the Association.

4. Clauses 4 to 11 inclusive and also (subject to clause 5 hereof) clause 3 of the principal Agreement shall be treated as forming part of this Agreement.

5. For the purposes of insurance and reinsurance under the principal Agreement and this Agreement the ships insured shall as from midnight on the 9th day of September, 1914, be valued on the following basis, namely, a sum not exceeding the first cost of the vessel, without allowance for the cost of alterations or additions, less depreciation at the rate of 4 per cent per annum, with a minimum value of thirty shillings per ton gross register tonnage.

Provided always that nothing in this clause contained shall operate to alter the valuation,

(a) in any insurance under this or the principal Agreement in respect of any loss happening before midnight on the 9th day of September, 1914;

or (b) in any insurance upon the terms of the forms of Schedules III and IV hereinbefore referred to which is effected before midnight on the 9th day of September, 1914;

or (c) in any insurance upon the terms of the forms of Schedules V and VI hereinbefore referred to, which is effected before midnight on the 9th day of September, 1914, for time beginning before the 10th day of September, 1914.

6. The terms of any of the policies referred to in the principal Agreement and this Agreement may from time to time be varied as may be agreed between the Board of Trade and the Association.

Supplemental Agreement Between the Liverpool and London War Risks Insurance Association Limited (Hereinafter Called the Association) of the One Part and His Majesty's Government of the Other Part.

Whereas, the parties hereto have already entered into two Agreements in the terms of the two documents hereto annexed marked "A" and "B"

(hereinafter called the principal Agreements) for the reinsurance by His Majesty's Government of ships belonging to members of the Association and insured by the Association, and whereas the parties hereto are desirous of making some provision for the dependents of the seamen employed on such ships in the event of capture or detention by the King's enemies,

Now, Therefore, it is hereby agreed between the parties hereto as follows:

1. In this Agreement—

"Insured ship" means a ship insured by the Association and reinsured by His Majesty's Government and a ship shall be deemed to have been an insured ship during the whole of the period covered by such insurance and reinsurance whenever actually effected.

"Seamen" shall have the meaning assigned thereto in the Merchant Shipping Act, 1894, except that the same shall also include a master as defined by such act.

"Dependents" shall have the meaning assigned thereto in the Workman's Compensation Act, 1906, substituting "seaman" for "workman."

2. In the event of the detention or capture by the King's enemies of any ship which then is or subsequently becomes an insured ship within the meaning of this Agreement, the Association shall pay or refund to the member owning such ship the payment of the following allowance to or for the benefit of the dependent or dependents (if any) of any seaman employed or engaged on board of such ship at the time of such capture or detention or some or one of such dependents, namely, an allowance equal to half the wages of such seaman or £1 per week whichever shall be less, but so that only one such allowance shall be payable to or for the benefit of the dependents of such seaman (if more than one). Provided always that if and so long as any part of such seaman's wages are being paid under any allotment note or notes, the amount so paid shall be debited against such allowances.

2. A. The Committee may, if they in their absolute discretion think fit, treat any ship which, owing to hostilities, is unable to leave a neutral or friendly belligerent port in the Baltic or any port in the opinion of the Committee similarly affected by hostilities as in the same position as if it were detained by the King's enemies and may pay or refund the payment of allowances to the dependents of the seamen employed or engaged on such ship accordingly.

Provided always that this clause shall not apply to any ship detained in a port other than a Baltic port without the consent of the representatives of His Majesty's Government on the Committee.

3. The allowance paid under this Agreement shall be paid and borne in the same manner as if the same had been losses covered by the policies of insurance and reinsurance relating to the ships in question and shall accordingly be borne by the fund produced by the premiums paid on the Association's policies of insurance against King's enemies risks and if and so far as such fund is insufficient to meet the same after providing for the other payments thereon, the deficiency shall be borne as to 80 per cent by His Majesty's Government and as to 20 per cent by the Association.

4. An allowance payable to the dependents of a seaman under this Agreement shall continue so long as such seaman shall in the opinion of the Committee have been actually prevented from providing for his dependents by reason of the capture or detention of the ship on which he was employed or engaged.

5. It shall rest with the Committee of the Association to determine who is or who are the dependent or dependents of any seaman entitled to the benefit of any allowance made under this Agreement, and if more than one, in what shares and proportions, and in the case of any infant dependent to whom the same is to be paid and how long any such allowance is to continue.

6. This Agreement shall determine:

(A) On the determination of the principal Agreements, or

(B) On the expiration of three months' notice in writing by either party determining this Agreement whichever shall first happen.

7. This Agreement is conditional on the Association obtaining the necessary powers to carry it into effect either by alteration of its Memorandum of Association in accordance with Section 9 of the Companies (Consolidation) Act, 1908, or by special provision in the Act of Parliament to be passed for sanction of the Government War Risks Reinsurance Scheme. When this condition has been fulfilled this Agreement shall operate retrospectively as from noon on the 4th August, 1914, or any earlier commencement of hostilities by or against the King's enemies.

Features of the Plan

Attention may be directed to some of the more important features of these agreements:

In the first place, it will be observed that it did not directly provide for public insurance under an organization of the government, but used the existing private organizations to accomplish the end, thus obviating the complex and difficult problems connected with establishing a new bureau or department of the government. The marine insurance business in England has long existed and afforded a splendid organization to carry on the details of the work. In the United States, as will be later described, a separate department of government was organized to transact the war risk insurance. The difference in method of procedure was due in part to the different character of the two governments and their methods of procedure, and in part to the different status of marine insurance. In the United States marine insurance had not developed as it had in England.

In the second place, the agreement concerned itself chiefly with reinsurance, although later the insurance of men engaged in the British Merchant Marine was provided.

In the third place, the closest cooperation between the government and the private organization is provided for through representation by the government in the private organizations, and detailed reports of these private associations to the government.

In the fourth place, the seamen and their dependents are given protection by the simple method of providing that the Workman's Compensation Act shall apply to them, the government assuming the status of an employer.

In the Appendix, the more important forms of policies which were written under the terms of these agreements are given.

There have been minor modifications of the preceding plan, but under it the British Merchant Marine has been operating and rendering to the Allied nations the absolutely necessary service of carrying food and war supplies, which Great Britain, more than any other nation, was in a position to do.

The plan was not devised or operated to make money. It was a very simple plan and the basis of it was a flat rate for all steamers and all voyages. The committee which had charge of its operation was empowered to vary rates from time to time. Limits were fixed beyond which rates could not rise. These limits were fixed both for hull and cargoes, and for voyages the upper limit was at first five guineas on the hundred and the lower limit one guinea on the hundred. The plan from one viewpoint was not logical, but it had the great merit of simplicity. The private companies competed with the state under this agreement, and, as will later be shown, the private companies have enjoyed unusual prosperity. Under this competition the good risks which were worth less than the rates established under the government plan went to the private companies, and the poor risks were taken by the government. In general, the amount of the business transacted under the government plan has been in proportion to the activity of the submarines. When the *Appam* and *Emden*

were at sea raiding shipping the state secured practically all the business. As one writer expresses the situation, "the dice were always loaded against the state; but the scheme was not designed to make money. It was intended to help a lame dog over a stile." Doubtless many of the sponsors thought either the "dog" would rapidly improve or the "stile" would be destroyed, but, as later events have shown, the submarine continued its destructive work and the construction of new vessels has hardly proceeded at a rate equal to the rate of destruction.

Results of the Plan

Accurate statistics as to the number of vessels sunk and the losses, including cargo, are impossible to obtain. From time to time, both from the Allied nations and the Central Powers, such statistics have been offered, but there is such discrepancy in them that the public will be compelled to await the close of the war to learn what losses to the shipping of the world have been entailed by the submarine, mines and other destructive agencies used against the merchant marines of the nations at war and the neutrals.

Private Marine Companies

However, there are available some statistics in reference to the business transacted by the private companies and the results secured.

Much difficulty exists in drawing a hard and fast line between what before the war was regarded as war risk insurance and marine insurance. Before the war most underwriters probably regarded the war risk to shipping as being the risk of capture, or possibly of the sinking, of a number of merchant ships by German cruisers, such as actually happened in the first few months of the war. The main risk has proved to be the sinking of shipping, both British and neutral, on a large scale by submarines; and also the destruction of merchant vessels by indiscriminate mine laying. But, apart from these closely defined risks, the war has affected the safety of shipping in many different ways. It would have been quite impossible for any underwriter, however much he might have wished to do so, to dissociate himself from its effects.

Thus navigation is prejudiced during the war by the suppression of lights; vessels are employed in trades for which they were not devised; repairs, owing to the pressing need, have been deferred; values have risen enormously, and in many other ways the war has made itself felt. How closely war risks and marine risks merge into each other has been shown when vessels became seriously overdue, and circumstantial evidence had to be taken before a decision could be reached as to whether the vessels had been lost through ordinary marine perils or had been sunk by the enemy.

Until the last quarter of the first year losses due to what were considered marine perils were not unusually heavy. Then came a number of disasters affecting both liners and tramp vessels, which are likely to have affected unfavorably many marine underwriting accounts.

Although a very large business was transacted under the British Government's scheme of insurance, there was still an immense amount of war risk insurance to be placed in the open market in respect of both hulls and cargo. Insurances on neutral vessels and their cargo had to be placed with underwriters, and the services of the insurance market in assisting the commerce of the country have been very great. At times, while ordinary marine rates did not change, war risk premiums were on a very high level, and it was to be expected that the reports of the companies would show very large increases in premium incomes.

Depletions of staffs have made business more difficult to carry through, and early in the year a scheme was inaugurated for the signing of the policies of Lloyd's underwriters at a central bureau. This proved a great success in the saving of labor, and is a credit to those who went to much trouble to establish it in the public interest.

There was an invasion of the London market by foreign companies, thus increasing the size of the market. An opening was certainly made for them by the cutting off of the German reinsurance market. The establishment of such offices has been criticized on the ground of the risk of leakage of information. It is obvious that the fullest guarantees should be exacted, and any other safeguards which the authorities consider essential. There are those who consider that the establishment of such offices in London should be strongly discouraged, but it is only fair to remember that they bring a certain amount of foreign business to the country and invest in British Government securities; and that British offices themselves transact business abroad.¹

Marine Loss Settlements

Few except those directly engaged in marine underwriting are familiar with the long-drawn-out process of arriving at the final figures of the losses of marine insurance companies. In life insurance, except for the insignificant amount of the disputed claims, the totality of each year's losses has

¹ *Annual Commercial and Financial Review*, London Times, January 19, 1917.

been ascertained before the close of the year. In fire insurance and in the casualty and allied insurances there is some lapping over of loss adjustments from one year to the next, but the amount of this lapping over is not large in proportion to the sum-total of the losses. In marine insurance, on the other hand, it may almost be said that every loss except a total loss remains indeterminate as to its final amount for a twelve-month period, and the complete adjustment of a very considerable part of the losses extends on into the second and even into the third year. To the outsider the working out of the "average" on the hull and cargo of a damaged ship appears one of the slowest and most exasperating of all commercial processes. In such a period of worldwide warfare upon the high seas as we have been passing through, the difficulties, uncertainties and delays of this process, as regards the business of marine insurance companies as a whole, are greatly increased. War risks, which are usually written for each voyage or for quite short periods, are disposed of much more quickly than marine risks. An underwriter, therefore, who accepts a large amount of war business should shortly after the conclusion of the first year be in a better position to form a shrewd idea of what the results of this business should in the main be. Consequently, to this extent the first year settlements are a real indication of the final settlements, and by the end of the second year the complete results of war risk underwriting should be known.

On the other hand, there is at present a contrary factor at work affecting marine risks in contradistinction to war risks. Owing to the absolutely unprecedented conditions, ships have been kept at work during the war as long as it was at all practicable for them to be at sea. This means that repairs have been deferred much past the usual time, and this will help to swell the third year settlements. Further, the cost of repairs has, of course, enormously increased. These two considerations together would naturally tend to make the third year settlements in respect of pure marine insurance much above the normal. It would, therefore, be quite impossible without close examination into the circumstances of each company's business to predict if the amounts put by to surplus will, or will not, be available in the present, abnormal circumstances to meet all the demands which will be made upon them.¹

The following table shows the results secured by the leading English marine writing insurance companies during the first two years of the war, when the preceding described plan was being applied and when the new hazards of shipping were being met by the private underwriters in competition with the government insurance:

¹ *The Economic World*, n. s., vol. xiii, No. 20, p. 709.

FINANCIAL RESULTS OF BRITISH MARINE INSURANCE COMPANIES FOR 1914 AND 1915¹

Company	Premium Revenue		Total Claims		Claim Rates		Net Profit		Marine Fund	
	1914	1915	1914	1915	1914	1915	1914	1915	1914	1915
	£	£	£	£	%	%	£	£	£	£
Alliance	200,100	667,700	138,400	427,400	47.70	64.01	91,300	38,300	466,600	617,600
British Dominions ..	404,100	1,020,400	263,200	444,200	65.13	43.53	126,200	449,000	265,900	641,900
Commercial Union ..	494,000	759,800	215,600	441,000	48.88	58.04	65,000	40,000	1,001,100	1,202,800
Indemnity	617,700	1,043,300	374,900	548,200	60.69	52.54	150,500	134,700	553,900	862,400
Liverpool & London										
& Globe	337,000	578,000	246,800	437,000	73.23	75.60	63,900	22,500	391,000	487,400
London	465,100	795,000	300,000	457,500	64.50	57.54	90,500	128,800	450,000	600,000
London & Lancashire										
Fire	235,300	359,500	180,800	242,000	76.83	67.31	33,400	59,200	244,000	194,500
London & Provincial	303,400	477,000	190,200	273,400	62.67	57.31	19,900	13,000	260,300	399,800
Maritime	286,500	561,600	175,800	301,600	61.36	53.70	41,200	71,900	314,500	493,400
Merchants	264,500	326,800	153,100	176,200	57.88	53.91	63,000	73,200	243,600	289,600
Motor Union	17,800	226,800	2,700	78,500	15.16	33.73	nil	12,700	14,800	135,300
Northern Maritime ..	41,200	116,700	25,700	64,700	62.28	55.44	9,400	28,000	24,900	36,900
Northern Union Fire	108,900	142,000	49,000	99,200	45.00	69.85	nil	nil	105,600	143,700
Ocean	309,700	420,700	202,700	253,200	65.45	59.00	64,500	28,500	210,900	299,700
Provident Clerks										
Guarantee	59,100	88,800	19,300	49,800	32.65	56.08	nil	nil	55,500	90,500
Reliance	137,500	172,800	90,400	93,000	65.74	54.34	33,300	39,000	117,400	148,700
Royal	684,400	1,146,400	411,700	542,500	46.59	60.15	92,800	46,600	1,030,100	1,448,000
Royal Exchange ..	359,000	854,100	248,500	488,200	69.22	57.15	20,000	30,000	309,500	602,000
Sea	468,800	623,300	204,600	377,300	62.84	60.53	77,200	124,700	430,200	592,600
Ulster	26,900	38,900	15,400	24,300	57.24	62.46	3,100	5,700	24,400	31,200
Union	740,400	1,112,000	471,500	640,800	63.41	66.80	75,600	140,900	566,900	755,300
World	244,100	385,200	200,000	260,800	81.93	67.70	42,100	53,500	178,500	253,800
Yorkshire	430,000	763,000	232,200	437,100	54.02	67.28	35,000	50,000	456,500	691,800

¹ *The Economist*, vol. lxxxiii, No. 3801, p. 7.

For the year 1915, statistics of certain important English marine companies are available.

The figures in the following table are a guide to the actual profits on the underwriting accounts for 1915. They show for seven companies whose accounts permit an analysis on the same simple lines the net premiums, the actual earnings, after allowing for all claim settlements and expenses, and the sums put to suspense to close the accounts and the percentage of the profit to the net premiums. These companies may be regarded as representative of the whole market. The premiums were largely increased, and the actual profit and the percentage must be reckoned as distinctly satisfactory. In every case the actual profit is increased, while in some instances the percentage is also higher. Thus the British and Foreign earned an actual underwriting profit of \$995,755, or 25.4 per cent, as against \$533,855, or 21.5 per cent for 1915. The Indemnity's profit of \$802,660, or 15.4 per cent, compares with \$523,400, or 16.9 per cent.

The Merchants' figures of \$326,265, or 20 per cent, compare with \$263,335, or also 20 per cent. The Reliance earned \$146,105, or 16.9 per cent, as against \$125,600, or 18.3 per cent. The Sea's profit of \$435,405, or 14 per cent, compares with \$404,010, or 17.2 per cent. The Union recorded improved figures, with a profit of \$851,210, or 15.3 per cent, as against \$524,470, or 14.2 per cent. And the World showed also much improved results, with a profit of \$460,565, or 23.9 per cent, as against a profit of \$204,525, or 16.7 per cent, for 1914.

SURPLUS ON 1915 ACCOUNT

Company	Net		Profits	
	Premiums	Expenses	Actual	%
British and Foreign	\$3,921,840	\$310,585	\$995,755	25.4
Indemnity	5,216,695	100,385	802,660	15.4
Merchants'	1,633,815	99,425	326,265	20.0
Reliance	863,765	72,430	146,105	16.9
Sea	3,116,320	133,430	435,405	14.0
Union	5,559,770	230,750	851,210	15.3
World	1,926,180	41,420	460,565	23.9

In the second table are set out the premiums accepted last year, the claims paid, and the percentage they bore to the premium. In each case the increase in premium income is striking, although the 1915 figures had, as a rule, been far larger than those for 1914. The British and Foreign increased its premium income by \$1,238,675; the premiums of the Indemnity were raised by as much as \$3,976,145; the Merchants', which is understood to have written little, if any, war risk business, increased its premium income by \$631,230; the Reliance—an office which has been successful for many years in writing a small and carefully chosen account—raised its premiums by \$283,315; the Sea raised its premiums by as much as \$3,167,665, whereas its whole premium income in 1915 amounted to \$3,116,320; the Union by \$1,395,500; and the World by \$1,301,260.

FIRST YEAR SETTLEMENTS IN 1916

Company	Premiums	Claims	Percentage
British and Foreign.....	\$5,160,515	\$1,388,675	26.9
Indemnity	9,192,840	3,330,550	36.2
Merchants'	2,265,045	534,790	23.6
Reliance	1,147,080	296,645	25.9
Sea	6,283,985	2,473,550	39.4
Union	6,955,270	2,740,255	39.4
World	3,227,440	1,170,405	36.3

These are, on the whole, large increases, and it is to the credit of the London insurance market that underwriters have been willing to assume such enormous liabilities as are represented by these figures of premium incomes. The market has thereby undoubtedly vastly assisted the maintenance of commerce. It must be apparent to any one who studies even most superficially the weekly figures of British losses that nerve is needed to write large war risk accounts. Neutrals have at all times been assured of being able to place their risks in the English market, which has consequently been in a position to reaffirm its value and preeminence.

The second striking feature in the table is that the percentage of settlement in 1916 was in every case higher than in 1915. Thus, the British and Foreign settlement of 26.9 compares with 25.4 per cent in 1915; the Indemnity settled 36.2 per cent, as against 30 per cent; the Merchants' settled 23.6 per cent, as against 22 per cent; the Reliance settled 25.9 per cent, as against 23.9 per cent; the settlement of the Sea was 39.4 per cent, as against 31.2 per cent; the Union also settled 39.4 per cent, as against 38.9 per cent; and the World paid out 36.3 per cent of the premiums, as against 32 per cent in the previous year. These in the main would be heavy first year settlements for ordinary accounts and would not promise much profit after the second and third year settlements have been made; but, happily, as has already been indicated, where war risks are written first year settlements should naturally, owing to the fact that they "run off" quickly, be heavier.¹

Effect of High Rates

It will be observed that notwithstanding "the heavy losses caused by the submarines of the Central Powers in the world's shipping still free to traverse the seas, the war has brought a very high degree of prosperity to the British marine underwriters. They have had enormous claims to pay, to be sure, but they have been more than able to recoup themselves for these losses by reason of the exceedingly high level to which marine rates, even excluding marine war risk rates, have risen.

¹ *The Economic World*, n. s., vol. xiii, No. 20, p. 709.

This rise in ordinary marine rates has been brought about, on the one hand, by the psychological effects of the known hazards upon the minds of those requiring marine insurance, making them accept without very serious demur abnormally high premium charges, even when the war risk was covered separately; and, on the other hand, by the great enhancement of the values insured, whether of ships themselves or of their cargoes. The enhancement of values has of course greatly increased the amounts at hazard on single risks, and has made the coverage of each single risk a proportionally severer drain upon the market than under prewar conditions. The marine insurance market has accordingly been a 'sellers' market' almost from the beginning of the war; and it is a well known economic fact that the tendency of price in a 'sellers' market' is invariably upward, and upward at a more rapid rate than the mere increase of the business turnover would seem to warrant in the eyes of the uninitiated.

"The large profits made by the British marine companies during the war, and especially during the past two years, have naturally attracted the attention of British investors proper and speculative investors, who have seen the shares of these companies advance to levels higher even than those obtaining for them before the war, while the prices of the greater part of the securities dealt in on the London Stock Exchange have been dishearteningly downward. This interest on the part of the public has made possible a considerable amount of financial rearrangement, consolidation, absorption and the like among the British marine companies, with the fire companies to some extent taking a hand in the game. Naturally, the future of British marine underwriting, even long after the war is over, has been represented as roseate in the extreme, and investments in the shares of the enlarged or consolidated companies have been held out as extraordinarily promising."¹

¹ *The Economic World*, n. s., vol. xiv, No. 10, p. 348.

Amalgamation of Companies

The amalgamations which have been announced fall into three groups. Marine insurance companies are passing over to big composite offices, non-tariff fire offices are being absorbed by tariff companies, and a new composite company is arising by fusions between the British Dominions Company and several life offices. To take the last first. The British Dominions, which on its own account has established a large marine department and is rapidly developing in other directions, has drawn to itself the Eagle, the Sceptre, and the Star, all purely life companies. The Star, an office with a large Nonconformist connection, is to be purchased with £200,000 of War Loan stock and 20,000 Eagle and British Dominions shares of £3 each. For each five shares (£1 is. paid) the Star shareholders will get £10 in 5 per cent War Loan and one fully paid Eagle and British Dominions share of the nominal value of £3 and the actual value of about £6 10s. The paid-up capital will be £635,000, and the total assets £12,235,000. Recently the Car and General passed over to the Royal Exchange, and the Fine Art and General to the North British and Mercantile. Now the Commercial Union takes over the National of Great Britain, and pays £6 2s. a share, £6 in War Loan stock at 95, and the balance in cash. The National Company has 50,000 shares of £5 each (£1 paid), and is one of the numerous insurance companies started in Glasgow. It has grown into a law of insurance practice that the more successful a non-tariff fire office becomes, the more certain is it to pass over to a big tariff fire company. What is less common is that life offices without fire or other connections should be fused with general companies. We can not recall any precedent for the manner in which the British Dominions is expanding by the absorption of life companies, though it is a perfectly legitimate method, which in the working out will be watched with interest.¹

MARINE INSURANCE IN THE UNITED STATES

In the United States the situation as respects marine insurance was a difficult one. Not only was there an insufficient number of vessels to carry the large amount of goods which the European nations wanted, but the facilities for insuring the vessels and cargoes were to be had only at very high rates. Marine insurance by domestic companies in the United States had enjoyed no such development as had life or fire insurance. During the past year it has been increasing.

There are no available statistics of ocean marine insurance. The great bulk of it has been written by British stock companies and by individual underwriters at Lloyd's, London. There the details of such operations are

¹ *The Economist*, September 15, 1917.

trade secrets—reports, if any, being made in confidence subject to test by a committee of the Board of Trade and by audit of Lloyd's. Thus their volume is a business secret in the keeping of business committees, and combined trade balances only are made public. For similar reasons there is an absence of analytical reports of the insurance of most other nationals. In the United States comprehensive statistics are kept by most classes of the business transacted in this country. But even here the inland marine transactions are combined with the ocean marine, so there are no specific returns of the latter. In the United States for the past three calendar years the combined inland and ocean marine premiums were reported as follows:¹

1914	\$32,114,926
1915	47,418,071
1916	70,663,999

These increases represent the increased values and rates of American business carried during the war. An analysis of the premiums reported and unreported distributes them as follows:

1914		
	Reported	Unreported
23 American companies	\$18,974,216	.....
19 British companies	8,808,245	\$9,634,478
13 other foreign companies	4,332,465	1,070,497
55 Totals	\$32,114,926	\$10,704,975

1915		
	Increase %	
		Reported
23 American companies	48	\$23,071,557
19 British companies	45	12,851,204
13 other foreign companies ..	50	6,495,310
55 Totals		\$42,418,071

1916		
	Increase %	
		Reported
23 American companies	47	\$41,208,085
19 British companies	38	17,712,774
13 other foreign companies ..	82	11,743,140
55 Totals		\$70,663,999

¹ These figures apply only to business written and reported to the State of New York. Marine underwriters estimate a volume of premiums equal to one-third of those reported as being written abroad on American business by British and other foreign companies and Lloyd's admitted to do business here, but making no reports of the same here and thus avoiding taxation. The law can not reach out and require compliance in Europe. With that estimated addition the approximate actual figures would be for 1914 about \$43,000,000, for 1915 about \$63,000,000, and for 1916 about \$94,000,000.

When the amount (one-third) of unreported business written by foreign companies is considered it will be seen that the premium increase of British companies was far greater than all the others.

It will be noted by casual analysis of these figures that American companies write a little more than half the United States marine business and, when the unreported writings are considered, less than half. This has been due to the lack of American bottoms and lack of prestige of American insurance connections abroad. There is more than this to be considered, however. A considerable share of the ocean marine premiums written and reported by American companies comes from the reinsurance of excess lines written by British companies abroad on great tonnages carried in one vessel. It would be quite fair to assume, therefore, that only one-third of reported American business is written by American companies.¹

When the European War was merely a possibility the underwriters accepted war risks at reasonable rates, but as soon as this war became a reality, the demands for insurance were so great that a general paralyzation of business resulted.

In the week directly following August 1, 1914, the rates were almost prohibitive and shippers paid as high as 25 to 30 per cent to cover war risks through the North Sea. South American rates were up to 20 per cent, while rates to India and the Far East ranged from 15 to 20 per cent.

The underwriters in this country were placed in a very difficult position and the reinsurance markets at London were closed on account of a bank holiday at this time. For three days risks were accepted without any possibility of reinsuring any part of those which might prove to be undesirable. It was therefore necessary to limit the amount which could be accepted on any one vessel, and these amounts ranged from small amounts for smaller companies to \$100,000 or \$150,000 as a maximum for the larger companies. The shipper, therefore, could insure only part of his cargo and often had to carry a large portion of the risk himself. The underwriters were unable to get any information about the vessels which they had insured, for the cables were so busy that

¹ *The Vital Relation of Insurance to Banking and Shipping in the World's Trade after the War*, Henry Evans, President Continental Fire Insurance Company.

Since the war, marine insurance business has been increased. New companies have been organized and old companies, marine and fire, have prepared to extend the business.

no reports of vessels could be obtained. Occasionally an item appeared in the newspapers that such and such a vessel had been taken by the British, or had been sunk by the Germans, but these were all rumors and none of them could be confirmed. It will, therefore, be seen that the underwriters of this country were in a very peculiar and difficult position, and when on August 7, 1914, Secretary McAdoo called a conference of the large business interests of this country, the suggestion was made that a Bureau of War Risk Insurance be established by the United States Government in the Treasury Department, to assist the underwriters of this country in taking care of the shippers and shipowners.

The War Risk Bureau

On August 14, 1914, the bill for the creation of this Bureau was drafted, and on August 19, 1914, it was introduced in the Senate by Mr. Clark of Arkansas, passing the Senate on August 21, with amendments. In the House the measure was bitterly opposed but passed, with additional amendments, on August 29, 1914. The Senate, on August 31, 1914, agreed to the House amendments, and the bill was referred to the President, who signed it on September 2, 1914.

On September 3, 1914, the Bureau was prepared to accept business, but on account of the delay necessitated by waiting for the printed applications and policies, no insurance could be actually written, and until the 18th of September all risks submitted were held on "binders." After that time policies were issued rapidly.

During the time that the Bureau has been covering war risks many vessels which could not secure insurance in the open market have been assisted by this Bureau, and enabled to sail on voyages which would not have been possible had the Bureau not been in existence.

On June 12, 1917, the President signed an amended War Risk Bill which allowed the Bureau to insure masters, officers and crews of American merchant vessels against loss of life or

personal injury by the risk of war, and for compensation during detention following capture by enemies of the United States. This insurance has been mandatory on vessel owners for all voyages through the war zone, and this insurance is permissible for voyages on any route. A large amount has already been issued, and the Bureau sustained its first loss on the sinking of the *Kansan*, where four men lost their lives, and their families or dependents received, as a result, \$7,200.

This Bureau was placed in charge of a director who was an experienced underwriter. All quotations of rates were made for forty-eight hours' acceptance and upon filing of applications, accompanied by a certified check and with a warranty that the vessel would sail within fifteen days.

Without some such plan for government war risk insurance, shipping could not have been transacted. An examination of the material in the Appendix, which includes selected application blanks, policies, and the original act establishing the Bureau and defining its method of operation, will explain its work.

The following table shows the amount of business transacted by the Bureau:

(1,704 POLICIES ISSUED SEPTEMBER 2, 1914, TO NOVEMBER 30, 1916)

Total amount insured	\$167,650,397.00
Premiums received on same	3,167,997.20
Salvage received to date.....	59,055.87
Total amount at risk.....	15,902,285.00
Known losses to date	833,924.60
Possible outstanding claims	250,000.00
Net losses (paid)	774,868.73
Total expenses of Bureau, November 30, (including salaries of entire force).....	39,877.03
Total premiums received	\$3,167,997.20
Known losses to date.....	\$833,924.60
Less salvage received	59,055.87
Net losses paid	774,868.73
Surplus premiums on hand.....	\$2,393,128.47

In addition to this insurance of property by the War Risk Insurance there was established on June 12, 1917, by an amend-

ment to the law, a provision "that whenever it shall appear to the Secretary of the Treasury that the effecting of such insurance is desirable in the national interest in the case of vessels, engaged in any trade, the owner of every American merchant vessel engaged in such trade shall insure the master, officers and crew of such vessel against the loss of life or personal injury from war risks, as well as for compensation during detention by an enemy of the United States following capture." This was an adoption of a plan already in practice in England. Such insurance could be effected either with the Bureau of War Risk Insurance or in insurance companies. Death or permanent disability was to be compensated for in sums ranging from \$1,500 to \$5,000, and loss of hand, arm, foot, leg or eye in sums from 45 per cent to 65 per cent of this principal sum.

Further provisions of this amended act may be found by consulting the Appendix.

MARINE INSURANCE IN FRANCE

In France arrangements for government aid were made as in most of the other countries at war, although on no such extensive a plan as in the case of England.

The system of insurance of cargoes formed the object of the decrees of August 13 and October 10, 1914, ratified by a law of April 10, 1915, which was completed by that of February 27, 1917. According to the terms of these laws, French government insurance is applicable only to cargoes going from and to France or from and to the colonies and countries of the protectorate and sailing under the national flag.

The original premium payable for the insurance of cargoes exported or imported from America to France is 7 per cent in the case of steamers and 14 per cent in the case of sailing vessels. This minimum rate, applicable to the first million francs (or \$193,000 of insurance), is increased at the rate of 5 per cent for every additional million or fraction of a million. In the event of the ship not having been specially designated at the

time of the application for insurance, the original tariff would be increased by 10 per cent.

Insurance contracts for ships leaving America are valid for 45 days, and for 30 days for those leaving France; they may be prolonged by payment of an additional premium.

The rates given are those which are quoted by the executive committee, but they are liable to daily fluctuation. Also it would be necessary, if the insured resides in the United States, that he have a representative in France who would undertake to sign the policies and pay the premium into the Treasury.

MARINE INSURANCE IN GERMANY

Information from the Central Powers is very difficult to obtain, but a condensed statement of the financial results of German marine companies is given:¹

As in 1914, forty-eight companies are reported as writing marine business, which in 1914 showed an underwriting loss and in 1915 a hardly appreciable profit; the premium income, as would be expected, has fallen. The two years' figures are as follows:

	Net Premiums M.	Net Losses M.	Premium Reserve M.	Surplus over Losses and Expenses M.	Interest and Other Receipts M.	Depre- ciation Written off M.
1914.....	120,342,099	99,451,104	37,255,335	1,166,094	5,628,223	178,676
1915.....	115,460,276	92,250,097	37,344,747	69,371	5,685,437	1,474,519

Reinsurance.—Two new companies, the Düsseldorf Allgemeine, of Düsseldorf, and the Niederrheinische Güterassekuranz, of Wesel, have entered the lists, increasing the number to forty-five; the Europa and Frankona have transferred their head offices from Frankfort-on-Main to Berlin. The total premium income has declined a little and an underwriting profit of under 3½ per cent is decidedly thin, though better than that of last year. The comparison is:

	Net Premiums M.	Net Losses M.	Premium Reserve M.	Surplus over Losses and Expenses M.	Interest and Other Receipts M.	Depre- ciation Written off M.
1914....	306,331,772	179,243,219	446,362,410	4,226,398	9,248,249	2,613,297
1915....	299,064,728	169,794,072	489,094,506	9,815,169	10,233,325	6,128,674

¹ *Post Magazine and Insurance Monitor*, January 6, 1917.

In Germany, as in England, one effect of the war on marine insurance seems to be to produce a tendency toward the amalgamation of companies.

The last decade before the war, owing to the keen competition, was in general not very profitable for German marine insurance; in the very week before war was declared many German insurers, incredulous of war with England, undertook war risks at ridiculous rates, to their own undoing. In 1914 and 1915, therefore, many German companies showed a considerable decline in their receipts from premiums, and in some cases they registered actual losses.

The companies, however, accommodated themselves to the changed conditions. The war gave them the monopoly of the German business, which previously was placed in England, either directly or by way of reinsurance. Full advantage was taken of the growing shipping boom in neutral countries, particularly in Scandinavia and Holland. Business was satisfactory apart from a few isolated instances, and the falling off in premiums was being made good, until the intensified submarine activity not only occasioned the German companies serious loss, but also limited their neutral business.

The satisfactory development of business during the war seems now to be causing many German marine insurers to entertain exaggerated hopes for the years following the war. As is intelligible, there is a strong desire to keep the monopoly of German business, and to exclude England altogether from the German market. Negotiations are in progress under government direction for the purpose of reserving to German insurers and their reinsurers in Allied and neutral countries the insurance of the large volume of imports expected during the transition period. It may be assumed that they will be successful, although the values to be covered by each separate policy must, of course, both as regards cargoes and hulls, be many times greater than before the war.

Amalgamations in Germany

The demands made on the individual companies will thus be greatly increased. Many of them are already preparing for these eventualities, partly by increasing their capital and partly by fusions. Examples of the latter policy may be found in the amalgamation of the Frankfurter Allgemeine Versicherungsgesellschaft with the Deutsche Transport Versicherungsgesellschaft, the Thuringia, and the Fortuna; and the alliance between the Union and the Friedrich Wilhelm companies. New companies are also being founded; examples are the establishment of the Hamburger Lloyd by the Duncker group and the utilization of the Berliner Land und Wasser by the same group after an increase in its capital. The Mutzenbecher group is strengthening its position by an arrangement with the Securitas, Bremen; and another big Hamburg concern has associated itself with a well known reinsurance company.

In face of all this, it is difficult to understand why a new plan is being considered for setting up, on the model of Lloyd's, a "Seegilde" (Sea Guild), in Hamburg, which is to consist of individual insurance brokers. Each of these is to deposit M.100,000; and the policies given are to be secured, in whole or in part, upon the fund so created as well as the individual insurer's other property. In the interests of Germany's economic strength, this scheme must be opposed as likely merely to increase competition. The individual insurer of the "Seegilde" will have to be content with lower premiums, in order to attract business from the insurance companies, which, of course, offer greater security. Premiums are, however, already depressed.

The writer can not restrain his surprise that the general secretary of the International Transport Insurance Union, Berlin, should be in favor of this "Seegilde" idea, indicating that if it does not mature in Hamburg the "Seegilde" will be set up in Berlin. He would, moreover, call attention to two specifically war insurance institutions, both in Berlin, in the establishment of which the Empire participated.

(1) The Deutsche See-Versicherungsgesellschaft von 1914 (German Marine Insurance Company, 1914), which was set up at the outbreak of the war; and

(2) The Deutsche Versicherungsbank (German Insurance Bank), established in 1916.

Both these concerns are expected to render assistance in the insurance of the enormous imports and exports during the transition period and of ships of the *Imperator* and *Columbus* types. It may be doubted whether the state will participate to any great extent in transport and marine insurance, since these branches of insurance business hardly lend themselves to state enterprise. Moreover, it is questionable whether it would be in the economic interests of the country to limit German marine insurers to German business. Marine insurance requires more possibilities of adjustment than do other kinds of insurance. Hence interchange of business with other maritime nations should be aimed at, always bearing in mind that the predominant position which the English marine insurance market occupied before the war must not again be tolerated.¹

MARINE INSURANCE IN JAPAN

In no other country, except in the United States, has the war had a greater effect in stimulating the carrying trade than in Japan. The government of this country, in order to protect its shipping and encourage its development, provided government assistance in granting insurance for the merchant marine.

¹ *Münchener Neueste Nachrichten*, quoted by the *Journal of Commerce*, August 20, 1917.

The system of government marine insurance instituted in Japan shortly after the declaration of war in 1914, differs materially from that established by other governments which undertook to relieve the scarcity of war risk marine insurance. In most cases a regular fund or bureau has been started which actually receives premiums and distributes payments in settlement of losses. In some cases, also, excess lines written by private companies are reinsured. The method employed in Japan is outlined in the following extract from *The Fifteenth Financial and Economic Journal of Japan* (1915), issued by the Japanese Government.

The War Marine Insurance Indemnity Act was promulgated on September 11, 1914, and the Ordinance No. 19 of the Department of Agriculture and Commerce on the following day, and both were immediately put in force. According to the act above referred to, if any Japanese Insurance company, or any foreign insurance company having branches, offices or agencies in Japan, makes a marine insurance contract at a premium not higher than the rate fixed by the competent authorities and makes good therefor any loss or damage caused by war, the government is to grant as indemnity to such insurance company a portion of the sum thus made good. It is provided for in Ordinance No. 19 of the Department of Agriculture and Commerce that the amount to be so granted by way of indemnity shall be 80 per cent of the sum thus made good.¹

MARINE INSURANCE IN SWEDEN

In Sweden, a nation with an important merchant marine, government assistance was also granted. This plan provided both for direct government insurance and also for acceptance of war risk insurance for the account of different private insurance companies.

MARINE INSURANCE IN RUSSIA

With a few exceptions the Russian insurance companies which undertook marine insurance before the war, restricted at first their business to the national rivers and waterways, but later there was

a considerable extension of the field of operation, and the majority of companies have added the transaction of marine insurance generally to their program. Before the war, the greater part of the surplus from Russian marine business was reinsured with German companies, who appreciated the

¹ *The Economic World*, n. s., vol. xi, 1916, p. 258.

value of this business; but all these contracts are cancelled, and the London market assumed a large share of the business.

Most of the companies have agencies in London, chiefly for the purpose of reinsurance business. The Rossia was the first to establish a branch office in England, and it also has a branch office in the United States at Hartford, Connecticut, where it erected its own building in the spring of 1914. The First Russian, the Moscow, the Northern, the Warsaw, the Salamandra, the Second Russian and the Jakor are also licensed to transact United States business.

In those cases where separate figures are given, the marine war risks section for 1915 is seen to have been decidedly profitable; 75 per cent of the liability is undertaken by the Russian government, the remaining 25 per cent being pooled among the companies.¹

SUMMARY

It may therefore be stated by way of summarizing the effect of the war on marine insurance: first, that all the leading nations have found it necessary to grant, either directly or indirectly, aid in the insuring of war risks; second, this has not meant the absorption of the private companies, but on the contrary a co-operation with such companies, and in all probability a healthy competition which has had a marked effect in keeping down rates, and at all times stabilizing such rates, just as the governmental activities in relation to food supplies and certain important commodities in great demand on account of the war has had the effect of preventing violent fluctuations in their prices; third, the private insurance companies have in practically all the leading countries enjoyed a period of prosperity, and in many cases their financial returns have been in excess of that enjoyed in times of peace.

¹ *The Economic World*, n. s., vol. xii, No. 14, p. 435.

V

THE EFFECT OF THE WAR ON FIRE INSURANCE

It might seem upon first thought that fire insurance would be but slightly affected by the war. It is true that this form of insurance is not so directly affected by such disorganizing agencies as the submarine in marine insurance and the higher mortality in life insurance; yet there are certain disturbances resulting from the war which are common to all forms of insurance, and in fire insurance there are unfavorable factors peculiar to this form of insurance.

In recent wars, damage and destruction of property, in so far as fire insurance was affected, were largely confined to the immediate territory occupied by the hostile forces. The older plan and operations of war under which both the enemy and his lands were objects of destruction, had given way to the idea that the countries or nations alone were hostile and that the suppression of the military power of the nation was the end to be achieved in the conduct of the war. Under such a theory of what might ironically be called civilized warfare, the non-combatant and private property not in active use against the enemy were not considered proper subjects of attack, capture and destruction. Even principles of compensation for the taking of such private property by the enemy under circumstances of great need had some application. But the present great war seems to be, in its method of conduct, a reversion to the earlier state of lawlessness. Destruction of private property far removed from the regions of combat is common.

NEW FIRE HAZARDS

There have been, therefore, in operation not only the ordinary fire insurance hazards of warfare, but there has been introduced

a number of new hazards. The invention of the airplane has made possible the carrying on of warfare far behind the lines of the armies. Property has been destroyed both by the explosion resulting from the dropping of bombs, and by the resulting fires which these explosions have caused. The use of the submarine, as well as the airplane, has been responsible for the writing of bombardment insurance without any adequate data upon which to base rates for such insurance. Fire insurance charges from their very nature have never been as scientifically determined as life insurance rates. Even in times of peace there are so many unknown and fluctuating factors which affect the rate that much has been left to judgment and guess in arriving at a charge. The fire rate represents an effort to arrive at a price for a service, the cost of which can not be known at the time the service is sold. Whether the price was too high or too low, only the future experience could disclose. The risk element is therefore always present in the fire rate, and in time of war, when new hazards are introduced and old hazards changed, this risk is enormously increased.

Attention may be directed to some of the changed hazards in addition to the new ones already suggested, or others which are apparent.

NEW INDUSTRIAL HAZARDS

There is a marked increase in the hazard incident to the operation of manufacturing and mercantile concerns. Industrial plants in most of the nations are being operated at a feverish rate. Machines are being run continuously and at a high rate of speed. Repairs are postponed beyond the normal period. Bearings become heated, and in many other ways the fire hazard incident to the operation of machinery is increased. Buildings are hastily erected with consequent less attention given to fire protective construction. Electric installations and other lighting and heating devices are less carefully installed.

Goods are being produced in great volume at a rapid rate.

They are stored and handled less carefully. Combustible material, either in the form of finished product or as waste material, accumulates and exposes buildings and other goods to destruction by fire. Explosives are produced in the greatest volume ever known to the world, and their storage and transportation continually exposes other property to destruction.

The demand for labor and the withdrawal of many factory workers for service in the armies and navies have brought into the industrial plants many employees who are not trained in the use of tools or material.

MORAL HAZARDS

In addition, in every nation at war there are those who are opposed to the war, and, either as actual enemies of the nation or as deluded opponents of the present economic order, they deliberately set fire to property. Large numbers of prisoners have been captured by each nation and these, too, increase to a slight degree the fire hazard.

With this pressure for product and business under which industrial plants and mercantile concerns are operating, there is less care given to the operation of the plant. Sprinkler systems, fire-alarm systems and watchmen service are likely to be less efficient, because of less frequent inspection, lack of repairs, change in personnel of the inspectors and watchmen, and other contributing causes.

There is also, doubtless, a marked increase in the moral hazard.

It is pointed out that even here in the United States, rich and populous as we are, the necessities of the war will inevitably compel a far reaching readjustment of our industrial forces, implying great increases in certain industries and corresponding declines in other industries; while new duties, partly moral and partly economic, for the members of society as a whole will alter the emphasis of production and distribution for all manner of branches of commerce. It must be anticipated that the war would speedily bring about a more or less severe depression in all the trades known as luxury trades—that is, those trades which in normal times supply the community with products and articles not strictly necessary to life, but

largely used for purposes of convenience or comfort when the mass of the population is normally prosperous and free from the strains and apprehensions of war. However loudly the producers and dispensers of products and articles of this kind might argue about the necessity of "business as usual," it would be found that people in general felt more and more a certain impropriety in supplying themselves with anything savoring of the luxurious or the unnecessary. The shelves of merchants might be piled with goods intended to meet the normal taste and demand of the public for the things that adorn life, rather than merely maintain it; but it would be seen that the public would quickly become indifferent to these goods—and, in fact, would soon look with disapproval upon the purchase of them—no matter what hardships might be entailed for the merchants by reason of this abrupt change in their custom. War has always in the past brought with it very violent dislocations of the prices of goods and services, both in an absolute sense and as a matter of relativity among the various groups and classes in the community. Unless the strongest measures of public authority are employed, war is the greatest of all influences in the direction of disparities of fortune among individuals. For some it means prosperity of the most extravagant kind; for others the direst economic distress. These suddenly developed inequalities are of course reflected in the vicissitudes of businesses, whether productive or distributive, whether wholesale or retail; some prosper amazingly, while others go more or less rapidly to the wall.

Perhaps many have not thought of these characteristic incidents of war from the point of view of their effect in the field of fire underwriting. The tendency of these, as of all violent changes in business conditions, is to bring about an almost immediate enhancement of one of the chief factors which the fire underwriter has to take into account, the so-called "moral hazard." It is a general rule that the factor of "moral hazard" in fire insurance is at its lowest when the inter-relations of all the industries and all the branches of trade, one with another, are most regular, even and normal—in other words, when reasonable prosperity prevails throughout the entire fabric of business; when sharp inequalities and disparities between economic group and group, class and class, do not obtain; and when the unprecedented successes of some are not matched by the intolerable losses of others. Impatience of severe business disadvantage, in contrast with visible business advantage of a speculative kind, is the great breeder of "moral hazards."

It scarcely needs saying that fire underwriters in the United States are fully aware of the dangers to themselves inherent in the conditions just set forth. Notes of warning on the subject are being heard from many directions, and all the field representatives of the fire insurance companies are being urged to unusual watchfulness lest the rising "moral hazard" of the groups of industries and businesses unfavorably affected by the war influences result in disproportionate losses to the underwriters.¹

¹ *The Economic World*, n. s., vol. xiv, No. 1, p. 20.

DIFFICULTY IN INCREASING RATES

Increased hazards have not been the only way in which the business of fire insurance has been affected. Like all other forms of insurance, and indeed most kinds of business, there has been a marked increase in the expenses of transacting the business, but with this important difference: in most of the ordinary businesses there has been an increase in the price of their product which has equaled or exceeded this increased expense of doing business; the price of most products lends itself to adjustments with comparative ease when conditions of production change; but this is not true with the fire insurance rate. This insurance price is often a result of legislative direction, or at least state supervision, and, in addition, its very character and method of determination on the part of insurance companies tend to make the rate a relatively stable one. Opposition from various sources is always met when the fire insurance companies endeavor to increase rates on any class of property, and not infrequently is it easier as a practical method of procedure for the companies to continue an unduly high rate on certain classes of property to make up for the unduly low rates on other classes of property, rather than to adjust rates on different classes of property.

INCREASE IN OPERATING EXPENSES

The increased expenses of fire insurance companies, in addition to that caused by the increased fire hazard, are due to the following causes, among others.

Higher wages must now be paid, and not infrequently for a lower grade of service. Many office and field men have been called into the national service and their places have been taken by less well trained men who not only are not able to render as efficient service, but are also in position to demand higher wages. These new men require more supervision, and thus to transact an equal volume of business a larger amount of service

would be required, making the unit cost of the business tend to a higher level.

Increased taxes have been laid on the fire insurance business. Not only has the direct tax on the business itself been increased, but other increased taxes, such as higher postage rates, have affected the business. Nor is it possible, as in many other businesses, to shift these increased taxes to the consumer—the policyholder. This is due in part to the nature of the business, and in part to the character of competition among the companies and the legislative regulation of fire insurance.

The depreciation of securities has been discussed in connection with life and marine insurance. Fire insurance has been affected in a similar manner, and in many countries even more seriously, since such companies are very often large holders of stocks, as well as of bonds.

REINSURANCE

One of the most important readjustments in fire insurance which have been occasioned by the war is that connected with reinsurance. Reinsurance in fire insurance is an integral and necessary part of the business. A fire insurance company of any considerable size is having continually offered to it an amount of insurance on a single property or on different properties within a limited area which it can not afford to carry, because of the heavy losses which would be entailed in case of a fire in this district of congested values. The companies, therefore, make a practice of insuring a part of the risk in other insurance companies. So important has this business of reinsurance become that companies have been organized which do either exclusively or primarily a reinsurance business. This phase of the fire insurance business has developed so rapidly during the past several decades, that the reinsurance business has become internationalized; that is to say, reinsurance organizations were found in the European nations, especially in Germany and Austria, which had on their books risks in all the leading nations of the world.

The position of the continental European reinsurance business, especially with reference to the German companies of this character, is described by a writer as follows:

Official German statistics and reliable private statistics regarding European reinsurance business establish the following facts:

At the close of 1915 there were in Europe 143 companies specializing in reinsurance or transacting it as accessory to their other business. Their capital was 686,000,000 francs; their reserves were 2,190,000,000 francs, and their annual premium income was 1,639,000,000 francs.

There were fifty-eight German and Austrian reinsurance companies, with a capital of 263,000,000 francs, reserves of 1,224,000,000 francs, and an annual premium income of 776,000,000 francs. Consequently they dominated all the other European reinsurance companies combined.

Russia occupied an important position with nine companies which had a capital of 67,000,000 francs, reserves of 563,000,000 francs, and a premium income of 351,000,000 francs.

Scandinavia came next with twenty-six companies which had a capital of 176,000,000 francs, reserves of 106,000,000 francs, and a premium income of 220,000,000 francs.

The Latin countries had only a small number of old and important reinsurance companies.

England, the cradle of insurance, a country which possesses the largest number and the most powerful direct insurance companies of the whole world, had not more than three reinsurance companies of any importance out of a total of twelve transacting this business.

In spite of the present war the amount of the premium income for 1915 of the German reinsurance companies is only 67,000,000 francs less than that of 1913 before the war. The premiums retroceded are only 40,000,000 francs less and the losses 29,000,000 francs less. As a result of their operations they were enabled to distribute to their shareholders 2,392,182 marks more than in 1913, and to increase their reserves by the considerable sum of 103,000,000 marks in two years.

During the seven years, from 1909 to 1915, the German reinsurance companies received a total of 3,219,140,146 marks in premiums, and their total profits have been 142,538,166 francs during this period against an insignificant loss of 32,405 francs. Not a single company has made a loss during the last four years.

The predominance of German reinsurance companies in Europe is directly due to the foregoing facts.

In considering the position it is well also to bear in mind the following points:

In Russia, German reinsurance companies exercised a strict control over the companies of that country, a control well proved by the fact that before the present war the books of the Russian companies were kept in the German language and their balance sheets were printed in German.

German companies exercised their influence over a large number of reinsurance companies in other European countries.

They extended their operations over all parts of the world.

From these facts and considerations the following undeniable conclusion is reached: Germans possessed before the present war practically a monopoly of reinsurance in the world and gained large profits from it.

To what is this due?

We think that this state of things may be attributed to three prime causes, which are: the initiative of the German companies, their activity and the support of their government.

Above all, the Germans had grasped the fact that reinsurance was essentially an international business. Just like direct insurance, it can only exist by the utmost division of risks—that is to say, by the German reinsurer passing on to other reinsurance companies (by way of retrocession) all such portions of the sums accepted by it from direct companies on any risks as may exceed the amount it desires to retain for its own account on the risk concerned (*i.e.*, its "surpluses").

These retrocessions are made chiefly, and necessarily so, with foreign companies.

Let us suppose that a reinsurance company of a certain country succeeds in obtaining a large share of the reinsurances of that country. It follows that it will receive from the various direct companies with which it deals a large number of reinsurances applying to the same risks and will be guaranteeing enormous sums on large industrial or commercial risks or on groups of these risks. If it retains for its own account all these reinsurances there will be in case of loss certain ruin. It must, therefore, arrange to pass on its surpluses, but it can not so arrange with other reinsurance companies of the same country which are themselves already interested in the identical risks, and it must consequently come to an understanding with foreign companies.

This principle the German grasped and put into practice, and that is why one finds that of the 599,000,000 francs premium income received by their insurance companies in 1915 no less than 245,000,000 francs—that is, about 40 per cent—was passed on to other reinsurance companies (retroceded).

To retrocede in the manner described was a necessity, but to recover an equivalent while arranging this retrocession was a clever move, and German reinsurers did this on a considerable scale by arranging reciprocal retrocession contracts with reinsurers of other countries or by acquiring an interest in insurance and reinsurance companies of other countries. These last mentioned companies became German owned, but, by retaining their native name and appearance, served at one and the same time both as overflow shoots for the German reinsurance companies and as effective producing agencies for them. We could quote a great many examples of this.

In addition we find that, before the present war, in France as well as in Russia, England, Italy, Switzerland and Bulgaria (to cite only those countries), a number of direct and reinsurance companies were controlled within narrow limits by German reinsurance companies. This was certainly an excellent means for the latter to develop their business.

Retrocession is such a great necessity that reinsurance companies which achieved some importance felt the need of creating subsidiary companies either at home or abroad. In this way the Koelnische of Cologne has the Minerva of the same city as a daughter company, the very important Swiss Reinsurance Company has the Prudential.

To the clever initiative of the German managers must be added their activity. Every well informed reinsurance man knew that these managers never hesitated to inconvenience themselves personally in order to visit the most distant countries, such as Japan, China, North and South America, for the purpose of establishing representatives, creating branches, making agreements and transacting business there.

It is common knowledge that the German Government effectively supported its people in all their commercial, industrial and financial undertakings abroad. Not satisfied with that, and particularly in reference to German insurance and reinsurance, the government in Berlin ably seconded their operations by establishing and publishing official researches and statistics on insurance and reinsurance in Germany and other countries, such as one would look for in vain elsewhere. These publications constituted a complete synopsis of all insurance and reinsurance matters: researches, reports, statistics—their utility is incontrovertible.

It is to these combined causes that one must ascribe the important development that German insurance and reinsurance has enjoyed since 1870 as much in Germany as abroad.

Before the present war French companies, like those of many other countries, were simply tributary to German reinsurance companies. They contributed to the success of these companies by giving them about 100,000,000 francs in premiums annually, which was partly recovered, it is true, by retrocessions which these German companies passed back to certain French companies.

To escape from this tribute the Allied countries have only one way open to them, which consists in establishing in each of these countries reinsurance companies sufficient in number to replace the German companies. Left to themselves, indeed, private corporations of this class may enter on and sustain a successful struggle against German insurance companies by satisfying first of all the needs of their own countries, by organizing the necessary retrocessions with similar corporations in Allied or friendly neutral countries, and by carrying the attack into other countries where German companies still exercise, as a matter of fact, their supremacy.

To require such services from a state institution appears to be impossible. At the most an institution of this class might to some extent fulfil the requirements of its own country. The retrocession to foreign companies and the acceptance of reinsurances of its own country or of foreign retrocessions would transform it, *ipso facto*, into an ordinary commercial company, and would oblige it in consequence either to limit its liability by refusing to accept more than a part of the reinsurances necessary to its country, or in accepting and retaining them all to expose itself to the possibility of succumbing lamentably under a mass of accumulated risks.

A state institution could not in any case take part in the struggle which must necessarily be entered upon against the German reinsurance companies in every foreign country, and thus it would assist in conserving for the latter the large profits which they receive from this business owing to the monopoly which they possess there.

In France, during 1916, three new companies were formed. In Russia the early formation of a new reinsurance company is announced, although this industry is already prosperous there, and the existing companies appear to have made the necessary arrangements to escape from the German yoke, for they now print their accounts in French or English, and we know that in England eminent insurance men have quite decided to assist the movement.

Among friendly neutrals the same disposition is clearly shown. It is very remarkable that in the small but energetic country of Denmark the number of reinsurance companies was increased from six in 1914 to eleven in 1916, their capital from 27,000,000 kroner to 62,000,000 kroner, and their annual premiums from 23,000,000 kroner to 60,000,000 kroner, or more than 100,000,000 francs, exceeding by more than three times the total premiums received in 1915 by French reinsurance companies when German reinsurance companies were not able to intervene.¹

This business of reinsurance by companies domiciled in enemy countries or in countries allies of the enemy has been prohibited, thus placing upon the domestic companies or those of friendly nations the necessity of assuming this large business of reinsurance.

It should be understood in connection with this discussion of the general effects of war on fire insurance, that the companies are protected to a certain extent against unfavorable results by the terms of the policy contract. The standard policy used in the United States has a clause a part of which reads as follows: "This company shall not be liable for loss caused directly or indirectly by invasion, riot, civil war or commotion or military or usurped power or by order of any civil authority." How literally this clause will be applied during this great war, it remains yet to be known.

¹ *Le Moniteur des Assurances*, translated by the *Post Magazine and Insurance Monitor*, London.

BOMBARDMENT AND AIRPLANE INSURANCE

Attention may now be directed to a survey of the effect of the war on fire insurance in some of the leading nations engaged in the struggle. Reference has already been made to the establishment of new forms of property insurance, such as bombardment and airplane insurance. These are not, it is true, strictly forms of fire insurance, but since they are forms of property insurance closely related to fire insurance, a brief description of them may be given.

Airplane damage insurance is for the covering of damage caused by enemy airplane attacks through bombs, etc. The successful German attacks on England caused the demand for this insurance. To be sure this had been covered in the spring of 1914 by a very small premium through the London Lloyd's. But in 1915 the premium rose. The English public insurance against damage by enemy airships covers the loss or damage caused by airships in so far as this damage is not covered by the usual fire insurance policy.

The government put into operation a scheme for compensation without insurance for war damage due to air raids and bombardments of the ports of Great Britain. The plan meets the case of the small property owner by providing that owners of property not exceeding £500 in value will be compensated as from September 1 last without fee. The household effects of a very large number of persons would not exceed that amount. Owners of property of values exceeding £500 will be compensated up to that amount without premium, provided that all value in excess of £500 is insured under the government insurance scheme. In view of the second provision set out in the scheme below, it may be well to recall the effect of the wording of what is known as the average clause. Where property is not fully insured and a loss occurs, it is usual to pay the same proportion of the loss as the amount insured bears to the total value of the property. The average clause does not apply, as a rule, to private houses.

When the state scheme for the insurance of property was inaugurated in July, 1915, the rate for private houses was 2s. on the hundred, and this rate was continued until February last, when all rates were reduced by 50 per cent, subject to the minimum premium payable in respect of any one insurance not being below 2s. on the hundred.

The following are the detailed provisions of the scheme:

1. (a) Owners of property in the United Kingdom of an aggregate value not exceeding £500 will be compensated by the government in respect of damage or destruction of any such property by the perils coverable by the government aircraft and bombardment insurance policy, whether the property be insured under the government insurance scheme or not so insured at the time of its damage or destruction.

(b) Owners of insurable property in the United Kingdom of an aggregate value exceeding £500 will be compensated up to that amount without payment of premium provided that all value in excess of £500 is insured under the government insurance scheme.

2. If the property of an owner is not fully insured under the government insurance scheme, any claim under this compensation scheme, as well as under any government policy, will be subject to average inconformity with the terms and conditions of the government aircraft insurance policy and the note thereto.

3. The total amount payable by the government in respect of a claim will be discharged under any government policy of insurance in force at the time of the damage up to the amount payable under such policy, and the balance, if any, will be discharged under this compensation scheme.

4. Owners of property may at their option insure the whole value of their property under the government aircraft insurance scheme, but not by means of Post Office certificates, which will not be issued in future.

5. Compensation will be limited to the actual damage done, having regard to the condition and value of the property at the

time of the damage, and will be devoted to making good the damage, subject to any conditions and exceptions which the Air-raid Compensation Committee may prescribe.

6. (a) In the case of uninsured property immediate notice must, when damage occurs, be given to the Air-raid Compensation Committee or their agents.

(b) In the case of damage to property insured under the government aircraft insurance scheme immediate notice must be given to the office through which the insurance was effected.

7. No compensation will be paid :

(a) In respect of any loss recoverable under any insurance.

(b) For money, securities, stamps, documents, manuscripts or books of account.

(c) For consequential loss or theft.

(d) For any expenses incurred in preparing or supporting a claim on the government.

(e) For fees in connection with reinstatement of damaged property.

(f) In the event of a claim being fraudulent in any respect.

8. In no circumstances will a refund of premium be made in respect of any insurance that may have been effected with the government.

9. This scheme took effect as from September 1, 1917.

The amount of premium could not be measured according to the fire premium and the establishment of danger zones did not suffice. Five classes were introduced against airships and bombardment :

1. Building and contents (no business).

2. All other buildings.

3. Agricultural implements and dead inventory.

4. Contents of buildings except in classes 1 and 5.

5. Goods in docks in warehouses on the road, wood in the open, oiltanks.

The *Daily Mail* introduced a "Zeppelin Insurance" in 1915 according to which it obligated itself to pay £200 for every subscriber killed by bombs, £250 for the loss of two limbs or both

eyes, £100 for the loss of one eye or one limb, and £2 per week for temporary total incapacitation. Until August, 1915, this paper had paid 316 claims.

In Germany the question of airship damage insurance came up after May 27, 1915, after the French air attack on Ludwigs-hafen and Mannheim. Previously only transported goods were so insured. The union of the German private fire insurance companies made it possible to cover such damage. In July, 1915, the Stuttgart-Berlin and the Frankfort-General undertook the insurance for damage through airships. The premiums hold three months. Germany is divided into three danger zones.

FIRE INSURANCE IN ENGLAND

In England the fire insurance business has long occupied an important position, not only in relation to property values in that country, but also to the business of fire insurance in many other countries, especially to that in the United States. These English fire companies operate either as direct writers or as reinsurers in many nations. They have agencies all over the world, and thus have long since been international in their operations.

The character of these companies and their method of operation have been such as to secure the confidence of property holders in all nations. Their position is described by a writer as follows:¹

Insurance shares in England, especially those of the large composite companies, have always been popular investments for good reasons. Originally these companies were relying for their mainstay upon fire insurance. But their ambition and progressiveness have, in the course of the last ten or fifteen years, extended their operations, so that now nearly every important insurance company in this country transacts not only fire (and generally life) business, but also accident and marine. From a shareholder's point of view, the life business is quite subsidiary. It does not depend upon what is known as "underwriting," and the resultant modicum of profit for the shareholders is, on an ordinary sized business, quite small as compared with the possible profits from the other more fluctuating, but frequently very remunerative, section.

¹ *The Economist* (London), vol. lxxxi, September 18, 1915, p. 429.

Finances of English Companies

It is probable that, of all the branches of industry in this country transacted upon a large and public scale, none has been better managed or better financed than that under consideration. This has been due not only to the expert knowledge brought to bear, but also to the admirable way in which the companies' resources have been husbanded. Consistently from year to year they have, in the main, taken from their profits but a small, and even trifling, proportion to pay the dividend. It would seem as if, with common consent, they had made up their minds never to increase the dividend unless they could be virtually certain to maintain it, whatever happened. The large bulk of the profits has thus been regularly passed to the reserves. Indeed, notwithstanding the great prosperity which these companies have experienced during the last ten or fifteen years, and, therefore, their consequent greater financial strength, they have, as a general rule, so pursued this principle of putting by most of the profits that, in some cases, the interest is now actually more than sufficient to pay the dividend without any profits whatever being taken from the fire, marine or accident departments. It was this strength—since greatly emphasized—which enabled these companies in 1906 to bear the colossal San Francisco conflagration with equanimity, and to go on paying, and shortly after actually increasing, the dividends which the shareholders had been receiving.

This, then, was the position of the composite companies at the end of July, 1914, when the war clouds were gathering. The table on page 222 contrasts the market prices then and now:

In column 1 is shown the draft upon underwriting, that is to say, the amount required from the profits of the "underwriting" departments of each company after deducting from the dividend paid the interest and the life profits (if any). Columns 2, (a), (b) and (c), show the prices and the yields as at July 30, 1914, just before the war clouds broke, and columns 3, (a), (b) and (c), give the same data as at August 31, 1915, that is thirteen months afterward. The yields have been calculated gross and net—the net, in the case of July 30, 1914, being less income tax at the rate of 1s. 3d. in the pound, and at August 31, 1915, less income tax at the rate of 2s. 6d. in the pound.

It will be seen that the fall in market values during the twelve months averages rather over 16 per cent, and that, consequently, even after providing for the higher income tax, the average net yield to a shareholder is at the present moment £5 6s. 10d. on the hundred, as compared with the former £4 12s. 8d. on the hundred. If we go back still further to, say, 1909, the net yield was then £4 7s. 9d. on the hundred. *Prima facie* a clear 5½ per cent yield upon such a class of security, which has for so many years shown unwavering progress, is highly satisfactory. There are, however, two considerations to be borne in mind: first, that we have probably not reached the limit of the income tax, and, second, that, in most cases, insurance companies' shares are subject to "uncalled liability."

EFFECTS OF THE WAR UPON INSURANCE

Company	(1) Draft on Underwriting £	(2) July 30, 1914			(3) August 31, 1915		
		Price (a)	Gross Yield (b)	Net (c)	Price (a)	Gross Yield (b)	Net (c)
	%	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Alliance (old)	8.58	11½	5 4 5	4 17 10	8¾	6 17 2	6 0 0
Alliance (new) .....	....	13½	4 8 6	4 3 0	10¼	5 17 1	5 2 6
Atlas	2.05	8	5 0 0	4 13 9	6¾	6 5 6	5 9 10
British Law	4.96	3¾	5 10 6	5 3 8	21¾ ¹⁶	6 4 6	5 9 0
Caledonian (tax free in 1914) ..	.07	23	5 4 4	5 4 4	20¾	5 15 8	5 1 3
Commercial Union .....	.04	27½	2 12 6	3 8 5	20¾ ¹⁶	4 18 6	4 6 2
Fine Art (tax free in 1914) ..	1.25	7¾	3 4 6	3 4 6	6	4 11 8	4 0 2
Guardian .....	.03	10½	4 15 3	4 15 3	8¾	6 1 2	0 1 2
Law Union	8.51	6½	6 3 1	5 15 5	5¾	7 16 3	6 16 9
Liverpool & London & Globe ..	1.04	23½	5 2 2	4 15 9	19¾	6 1 6	5 6 4
London and Lancashire Fire ..	.98	34	4 5 4	4 0 0	26¾	5 8 0	4 14 6
London Assurance .....	.76	54	4 12 7	4 12 7	44¾	5 12 0	5 12 0
North British .....	.20	41	4 17 6	4 11 6	30½ ¹⁶	6 9 4	5 13 2
Northern	2.29	3½	5 6 0	4 19 3	7½ ¹⁶	6 7 6	5 11 7
Norwich Union .....	.41	33	4 17 0	4 11 0	29½	5 8 6	4 14 11
Phoenix	1.11	7½	5 6 8	5 0 0	6¾ ¹⁶	6 12 0	5 15 6
Royal .....	.86	30	4 13 4	4 7 6	24½ ¹⁶	5 12 3	4 18 3
Royal Exchange .....	.78	215½	4 12 10	4 12 10	190½	5 5 0	5 5 0
Scottish Union .....	.79	3¾	5 6 8	5 0 0	215¾ ¹⁶	6 16 1	5 19 1
State .....	.01	2¾	5 5 2	4 18 7	39¾ ¹⁶	6 6 7	5 10 9
Sun	1.47	13¾	5 0 11	4 14 7	11¾	5 19 1	5 4 2
Yorkshire .....	.23	11¼	4 8 11	4 8 11	10¾	4 18 10	4 18 10
Less Tax		Free of Tax					

The remaining consideration is how the companies have in their operations been affected by the war. It must be borne in mind that these operations are worldwide, and that, in the main, rather more than half of their revenue comes from neutral countries, *i.e.*, those countries which are not involved in the war. The businesses and transactions with German and Austrian companies were summarily cut off in 1914, and the result was probably largely, if not completely, reflected in the accounts of the companies for that year, in which, after all, appreciable profits were made, thus further enhancing the general stability. This, notwithstanding that the companies had also to face and deal with the depreciation in the value of the shareholders' investments.

Their 1914 position may be briefly epitomized in this way:

	%
An aggregate (real) underwriting profit of.....	7.74
Depreciation on shareholders investment provided for.....	4.56
Required, in addition to interest and life profits, to pay dividends..	0.98
Leaving to enhance the reserves.....	2.20
	7.74

The results of the early period thus described gave no guarantee of what would later occur, but the results for the year 1915 and for such part of the year 1917 for which statistics are available seem to indicate that these strong British fire insurance companies are in an excellent position to withstand the tests of war times.

A writer, reviewing the year of 1916 in British fire insurance, states the situation as follows:¹

We are now able to give a general survey of the results achieved by the British fire insurance companies during last year, and to show how they have made use of their increased resources to strengthen their position. There has not been in fire insurance that almost bewildering expansion in premiums experienced by the marine insurance companies. Most of the companies in our list have increased their fire premiums, but scarcely to the extent which might have been expected. Both private and commercial policyholders have been slow to realize that the insured values of the past

¹ *The Economist* (London), June 2, 1917.

bear little relation to those necessary in the present, when the prices of material, labor and manufactured articles have so greatly advanced. An annual revision is now urgent, both in the interests of policyholders, who need to be fully covered, and in those of the companies which seek to protect them.

In the following table the trading surplus has been calculated in each instance by taking 40 per cent of the premium income as a standard reserve for unexpired risks. Most of the companies adopt this basis in their accounts; it has become the recognized standard, and in cases where some other percentage has been officially used we have calculated the surplus of underwriting profit by the 40 per cent rule so as to provide a common basis for comparison. A great many companies nowadays do fire business, but as most of the later entrants into the field do not separate their fire premiums from those of their accident and other business, we have confined our attention to the fire offices proper, those whose range of operations may be said to cover the field not only in this country, but in America, Canada, the other Dominions and elsewhere. There are now, by the expansion of the Royal Exchange, no fewer than twelve millionaire fire offices; the North British exceeds two millions, the Liverpool and London and Globe three millions and the Commercial Union and Royal overtop the four million mark. The steady progressive advance of the Commercial Union, partly by the purchase of other companies and partly by its own expansion, has been the most striking feature of the past ten years. It is now second only to the Royal as a fire office, and larger than any other composite company in the premium income derived from its multifarious branches.

	Fire Premiums	Claims Pct.	Expenses Pct.	Trading Surplus	Pct.
Alliance	£1,369,159	35.3	37.9	£360,687	26.4
Atlas	1,152,861	46.2	36.7	174,553	15.2
British Law	124,466	29.8	47.1	26,604	21.4
Caledonian	500,226	53.2	37.3	35,089	7.0
Commercial Union	4,025,942	51.7	35.8	394,061	9.8
Guardian	674,804	48.9	36.8	78,804	11.7
Liverpool & London & Globe.	3,263,109	54.7	35.1	308,961	9.5
London & Lancashire	1,903,241	48.9	35.4	222,532	11.6
London Assurance	803,837	45.6	38.8	89,531	11.1
Northern	1,435,520	50.2	37.4	132,178	9.2
North British	2,354,733	52.2	37.5	161,113	6.9
Norwich Union	1,292,779	55.5	33.8	169,788	13.1
Phoenix	1,531,873	48.9	39.0	155,532	10.1
Royal	4,435,636	51.3	35.9	455,249	10.3
Royal Exchange	1,005,193	48.1	39.4	92,371	9.2
Scottish Union	841,722	52.2	35.9	81,596	9.7
State	281,900	52.0	36.7	22,627	8.0
Sun	1,532,349	48.3	37.7	185,339	12.1
Yorkshire	482,924	47.1	37.7	59,062	12.2

The remarkable figures of the Alliance will attract attention. Upon a very moderate premium income of £1,369,159 it has produced a trading profit of £360,687, or 26.4 per cent of the premiums. No other company, except the small British Law, with its very special business, has approached this rate

of profit. The very large companies, as we have previously pointed out, tend to draw near to one another in average results; they represent the world-wide market rather than the specially selected market. Their rate of profit for last year ranges from 9 to 12 per cent, averaging about that figure of 10 per cent, which is regarded as a sound, steady return, taking one year with another and one country with another. The London Assurance, the most successful of all in the United States, is less conspicuous in the present table, with its profit of 11.1 per cent; it has now been surpassed by the London and Lancashire, the Norwich Union and the Sun. Taken as a whole, 1916 may be regarded as a good average year, less profitable than was 1915, but illustrative of the sound, careful basis upon which fire insurance operations are conducted.

	Interest, Net (Less Interest on Debts)	Depre- ciation	Additions to Funds	Dividends
Alliance	£ 198,817	.....	£ 528,761	£ 420,000 less tax
Atlas	52,054	£ 39,159	95,740	68,200 net
British Law	15,547	13,194	29,370	23,248 "
Caledonian	19,497	8,952	33,506	20,021 "
Commercial Union ...	317,316	191,953	874,060	383,500 less tax
Guardian	76,267	34,891	47,221	116,250 net
Liverpool & London & Globe	233,094	{ 396,538 *245,000 }	166,931	246,938 "
London & Lancashire.	84,234	50,000	298,726	126,912 "
London Assurance ...	101,314	20,410	544,137	89,655 "
Northern	98,708	12,753	163,936	104,625 "
North British (includ- ing Railway Passen- gers and Ocean) ..	259,794	69,648	314,768	273,962 "
Norwich Union	97,206	183,258	415,434	81,400 less tax
Phoenix	112,367	86,000	265,970	169,142 "
Royal	311,215	500,000	694,084	319,498 net
Royal Exchange	82,371	60,000	595,175	82,606 less tax
Scottish Union	65,054	45,000	225,614	46,562 net
State	10,068	5,000	32,362	8,750 "
Sun	125,703	70,000	102,607	130,200 "
Yorkshire	66,308	50,000	495,536	62,644 "

* Set aside as Investment Fluctuation Fund.

The statistics for the first nine months of 1917 show a marked increase in fire losses. Up to September 30, these losses aggregated £3,130,900 as compared with £2,469,700 for the corresponding nine-month period of 1916. These statistics indicate with what caution predictions must be made, regarding the final effect which the war will have on fire insurance, or, for that matter, on any branch of insurance. So many negative and positive factors are operating, or may later arise, that in the

business of insurance, as in other industrial, political and social relations, no one but a superficial student of human affairs permits himself to dogmatize with respect to final effects.

Nevertheless, the unusually stable foundations of British fire insurance companies and their not decidedly unfavorable experience up to the present, serve to keep the stocks of these companies at a relatively high level.

This is shown by the monthly quotations on their stocks for the years since the war has been in progress. The following table shows these facts:

BRITISH INSURANCE STOCKS ¹			
	Aggregate Value of Shares of 64 Insurance Offices	Changes	Ratio of Values to Jan., 1914, Prices
1914			
January	£ 86,266,787	+ £ 3,996,980	100.0
July	83,333,260	- 2,933,527	96.5
1915			
June	77,880,075	- 5,453,185	90.2
July	73,070,325	- 4,809,750	84.7
August	69,004,668	- 4,065,647	80.0
September ...	67,857,845	- 1,146,823	78.7
October	68,530,982	+ 673,137	79.4
November ...	69,846,051	+ 1,315,119	80.9
December ...	69,030,659	- 815,392	80.0
1916			
January.	72,373,344	+ 3,342,685	83.8
February	72,636,387	+ 263,043	84.2
March	71,159,051	- 1,477,336	82.5
April	72,091,767	+ 932,716	83.6
May	74,442,325	+ 2,350,558	86.3
June	74,684,028	+ 241,703	86.5
July	75,834,314	+ 1,150,286	87.9
August	77,377,355	+ 1,543,041	89.6
September ..	77,814,301	+ 436,946	90.2
October	77,663,036	- 151,265	90.0
November ...	76,386,041	- 1,276,995	88.5
December ...	75,252,046	- 1,113,995	87.2
1917			
January	73,767,971	- 1,484,075	85.5
February	71,867,935	- 1,900,036	83.3
March	75,092,445	+ 3,224,510	87.0
April	78,791,790	+ 3,699,344	91.3
May	78,105,655	- 686,135	90.5
June	79,522,570	+ 1,416,925	92.2
July	85,043,095	+ 5,520,525	98.5
August	84,824,009	- 219,086	98.3
September ...	85,651,064	+ 827,055	99.3
October	88,641,207	+ 2,990,143	102.7

¹ *The Economist* (London), June 2, 1917.

FIRE INSURANCE IN THE UNITED STATES

The United States, although fortunately far removed from the actual territory of conflict, is nevertheless having all its lines of business affected by the war, and this result was occurring even before the entrance of the nation into the war. Fire insurance has been one of the businesses which are being greatly disturbed by the war. There are a number of special reasons why this is happening.

In the first place, the amount of fire premiums collected in the United States far exceeds that of any other nation, and with that from Canada it probably exceeds that of all other nations in the world.

In the second place, the business of fire insurance in the United States is not controlled by the federal government, but by the laws of the different states. There thus results a great diversity in the regulation and this produces a great complexity in the matter of rates. Some states have rating boards, some closely supervise the rates made by the companies, and in others a wide discretion in rate making is permitted. The country is of such great extent, and so many different kinds of property are found with such great variety in climatic conditions, in materials of construction, and in protective fire devices, that standardization and stability in fire insurance have been impossible to secure. Methods of determining rates differ in different sections of the country, and along with the lack of uniformity in rates there is a certain kind of inelasticity. This latter characteristic is a logical result of the variety in regulation and the character of the property to be insured. If certain classes of property bear rates which produce a considerable margin of profit, there is no disposition to readjust such rates in the absence of complaint from these property owners, inasmuch as the company or companies are probably at the same time receiving rates on other classes of property which produce little or no margin of profit.

In the third place, partly as a result of the preceding condi-

tions, and partly as a result of the character of the business organization of fire insurance in the United States, there has resulted excessive and violent competition among the companies for business, which, taking the usual form of rate cutting, has from time to time produced a condition approximating chaos.

In the fourth place, the United States has had the ever-recurrent fire conflagrations to meet in its fire insurance business. The preceding outline of conditions and other well known causes has made the business of fire insurance from the standpoint of its owners and managers one of great risk. Some companies have shown in one or more years little or no underwriting profit and many companies in the United States have not enjoyed the underwriting profit which has been made by many of the fire insurance companies in other nations.

The war, therefore, introduced a disturbing agency into a condition already complex. Industrial plants in this country, even before the entrance of the United States into the war, were operating under great pressure to fill the large war orders from the nations at war, and when this nation became a party to the contest the pressure was increased. The danger of fire was not only increased on account of this great pressure under which industry operated for the reasons already discussed, but there was the additional hazard of incendiary fires. Those in sympathy with the enemy nations and others, who from various causes were opposed to the war, have been responsible, doubtless, for some of the increased hazard and for the actual increase in the loss of property by fire.

The normal losses by fire in the United States have been very large as compared either with the per capita loss or the ratio to total property value in other nations, without having these increased hazards added. Complete statistics of such annual losses are not tabulated, since there are no records of the smaller fire losses compiled. The following statistics show the annual losses since 1910 with the limitations previously noted:¹

¹ *National Board of Underwriters, 1916.*

1910	.....	\$214,003,300
1911	.....	217,004,575
1912	.....	206,438,900
1913	.....	203,763,550
1914	.....	221,439,350
1915	.....	172,033,200
1916	.....	214,530,995

The statistics already available for the year 1917 show that the losses of 1916 will be materially exceeded.

Foreign Companies in the United States

A factor to be taken into consideration with respect to the effect of the war on fire insurance in the United States is the large representation of foreign fire insurance companies. There were in 1916 eighty-three such companies reporting to the Insurance Superintendent of the state of New York.¹ These companies collected in fire and marine premiums, in 1916, about \$160,000,000, as compared to the \$290,000,000 premiums which were collected by the American companies. Some of these foreign companies, especially the English concerns, have been purchasing companies already organized and operating in the states. These foreign companies of Europe operate both as direct writing and as reinsurance organizations in competition with the American companies. They have especially at times of conflagrations in the United States very materially aided in distributing the losses. Whether the domestic companies are able to absorb all the business now done by these foreign companies, and whether it is desirable, as in the case of conflagration losses, to limit the distribution of such losses, is a debatable point. As will be later shown, these foreign fire insurance companies of enemy nations and allies of the enemy have been excluded and the business held by them must be assumed by the domestic companies and such other foreign companies as have been permitted to continue in business.

¹ *The Vital Relation of Insurance to Banking and Shipping* (Pamphlet), Henry Evans, President American Eagle Fire Insurance Company.

Increase in Taxes

The fire insurance business has, like many other forms of business, been subjected to increased taxes as a result of the war. This, together with the other increased costs described in the earlier part of this discussion of fire insurance, has very materially increased the expenses of doing business.

Title V of the War Revenue Act provides as follows:

SEC. 504 (b) Marine, inland and fire insurance: A tax equivalent to one cent on each dollar or fractional part thereof of the premium charged under each policy of insurance or other instrument by whatever name the same is called, whereby insurance is made or renewed upon property of any description (including rents or profits) whether against peril by sea or inland waters, or by fire or lightning, or other peril: Provided, That policies of reinsurance shall be exempt from the tax imposed by this subdivision.

SEC. 505. That every person, corporation, partnership, or association, issuing policies of insurance, upon the issuance of which a tax is imposed by Section 504, shall within the first fifteen days of each month, make a return under oath, in duplicate, and pay such tax to the collector of internal revenue of the district in which the principal office or place of business of such person, corporation, partnership, or association is located. Such returns shall contain such information and be made in such manner as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may by regulation prescribe.

Experience has shown that it is not an easy matter to shift such taxes to the property owner, due in part to the character of the tax and in part to excessive competition in the business. Such a tax, as well as the other increased expenses, might theoretically be absorbed in the higher rates charged for the insurance, but, as has been previously shown, fire rates are not to any large degree an elastic price. Their method of determination, both as affected by public regulation and by competition among the companies, makes it practically impossible for such rates to be increased to absorb much expenses.

It may therefore well happen that their increased expenses of doing business will reduce the already lower profit which American fire insurance companies enjoy, as compared to that of many of the companies of European nations.

Status of Enemy Companies

One of the most important questions which have arisen as a result of the war in its bearing on fire insurance is what should be done with enemy insurance companies. It has already been shown that large amounts of fire insurance have been written by foreign companies, either as direct writing or as reinsurance organization. In practically all cases, especially in the case of direct writing companies, the laws of the various states required such companies to maintain reserves in this country, and with the business organization thus resulting, these companies became in a large sense in the same financial relation to policyholders as the domestic companies. However, considerable sentiment developed in the country against the companies of the enemy. The bases of this opinion and sentiment were: first, that information regarding the resources of the nation and its preparation for war was reaching the enemy through the agents of these enemy, or allies of the enemy, insurance companies; second, the desire of American companies to secure the business of these foreign companies; third, the unfavorable settlement which some of these foreign companies had made with policyholders at the time of the San Francisco fire, when the claims were not settled on as liberal a basis as was adopted by many American and other foreign insurance companies.

The President had in April, 1917, issued a proclamation which permitted these foreign companies to continue in business under certain liberal conditions, but later events seemed to make it desirable to establish closer restrictions on enemy, or allies of the enemy, insurance companies.

Therefore, when the first comprehensive trading with the enemy act was passed by Congress, the President was given large powers over such companies. Under the provision of this act, the matter was referred to the Secretary of the Treasury, and a hearing was held on the subject of whether such companies should be permitted to continue in business.

The arguments for and against such a permission, as well as

the chief facts in reference to the business of such companies, are presented in the following abstract of this hearing.¹

There are but four German insurance companies doing direct insurance in this country. Although they are of German origin, their business in this country is conducted as if by independent American concerns. Each of them has a capital in this country under the supervision of the insurance departments of the several states and of American trustees, largely in excess of the requirements of the insurance laws. They have been transacting business here for many years, one of them for as many as forty-four years.

The managers of these concerns, Aachen and Munich, Hamburg-Bremen, and Nord-Deutsche and Prussian National, are American citizens by birth and lineage, who have no German blood in their veins.

The agencies throughout the country are conducted by Americans. The importance of these German companies to citizens of this country is very great. There are something like 2,000,000 policyholders, who would be deprived of the protection of the benefit of their premiums. The President recognized this situation in his proclamation of April 6, 1917, in which he said that:

The interests of the citizens of the United States in the protection afforded by such insurance are of great magnitude, so that it is deemed to be important that the agencies of such companies in the United States be permitted to continue in business.

And he thereupon proclaimed that these German companies should be permitted so to continue "as though a state of war did not now exist." The arguments that these companies are in a position to obtain secret information which can be used against the United States and are the recipients of many millions of dollars of premium that go to support Germany have absolutely no merit. In the first place, these companies can obtain no information that is not open to hundreds of thousands of others who are unrestricted.

To suggest that they have any interest in encouraging destruction is, of course, absurd, as they are insurers against destruction. The premiums earned by them, as provided by the President's proclamation and the trading with the enemy act, must remain in this country during the war. Not a dollar can be sent abroad, nor can these companies communicate with their home offices while the war is in progress, except with the approval of the proper authorities.

The argument in opposition branded the enemy fire insurance business in the United States as "unsafe, unpatriotic, unsound and unnecessary." It was pointed out that if enemy companies are licensed they would have access to the work of the engineers and inspectors of the national or state boards of underwriters, and also could send their own inspectors through properties, including munition plants, flour mills, storage warehouses of all kinds, docks, wire factories and many other industrial establishments.

¹ *The Journal of Commerce*, November 16, 1917.

In France and England at the beginning of the European War the German insurance companies were promptly ousted and it is difficult to see why they have been suffered to continue so long in the United States. Obviously, there is no argument permitting enemy or ally of enemy fire insurance companies to do business in this country which would not apply equally to banks, mercantile companies, manufacturers or steamship companies of Germany or her allies.

A very important consideration, in view of the worldwide campaign of German propaganda, is the sentimental effect of tolerating German companies in this country, which Germans can use and doubtless will use throughout the world as an argument that the people of the United States are not opposed to the Germans, do not dislike them and are willing to do business with them, as is shown by their friendly support of German fire insurance companies in the United States, and that hence it may fairly be reasoned that America's war is a capitalists' war, instigated by the rich who desire to make a profit from munitions contracts and financing.

As has been stated, the American people are just beginning to realize what it means to accept insurance policies with German companies, and it is only a question of time when this business will be eliminated by the action of the mass of the American people. It is highly desirable, however, that the United States Government back up this sentiment and expedite the ousting of the German companies by refusing them licenses.

Mr. Hurd put into the record of the hearing the following table of the assets and risks in the United States of the fire insurance companies of enemy countries, reporting to the New York State Insurance Department on December 31, 1916:

Name of Company and Home Office, Direct Writing Companies:	Assets in U. S.	Risks in U. S.
Aachen & Munich Fire Insurance Company, Aix-la-Chapelle	\$2,850,000	\$264,972,000
Hamburg-Bremen Fire Insurance Company, Hamburg	1,902,000	207,672,000
Nord-Deutsche Insurance Company, Ham- burg	1,201,000	129,280,000
Prussian National Insurance Company, Stettin	2,420,000	225,294,000
Total	\$8,373,000	\$827,218,000
Reinsurance Companies:		
Balkan National Insurance Company, Sofia	\$2,637,000	\$261,424,000
Bulgaria First National Insurance Com- pany, Rustchuk	2,159,000	233,628,000
Cologne Reinsurance Company, Cologne...	1,410,000	204,826,000
Frankona Reinsurance Company, Berlin...	1,280,000	138,791,000
International Reassurance Company, Vienna	1,272,000	110,943,000
Munich Reinsurance Company, Munich....	9,126,000	964,668,000
So. German Reinsurance Company, Munich	1,515,000	111,872,000
Total	\$19,399,000	\$2,026,152,000
Grand Total	\$27,772,000	\$2,853,370,000

From the above statement it appears that the eleven enemy and ally of enemy companies in the United States have assets of only \$27,772,000 as against risks of \$2,853,370,000 or less than one cent for each dollar of risk. The danger to American citizens holding policies in these German companies is that in case of a conflagration, which is an ever present danger, these German companies would be bankrupted and the policies would not be paid. It is obvious that no money can come from Germany to the United States to support these German companies, and judging by the experiences in the San Francisco conflagration, no money would come from Germany to enable the German companies to pay their legitimate American losses even if Germany were able to send the money.

It may be argued that in case of a great conflagration many American companies would be bankrupt, but history has shown that American companies, first, have a sense of honor and value their business reputation, and, second, have a valuable annual premium income, and hence they could and would assess their stockholders for any money necessary to make good their losses.

The German fire insurance companies, which have been compelled by the German Government to sell their good securities and to take the bonds of the German Government in place thereof, must face a severe scaling or possibly an entire repudiation of these German Government bonds.

Possibly the only argument which enemy or ally of enemy insurance companies can advance is that the protection of their underwriting capital is necessary to the United States. It is easy to prove that there is nothing in this argument since, as has been stated, not a single American fire insurance company has any reinsurance contracts with the German companies. In other words, the enemy reinsurance business is practically wiped out.

As to the four direct writing German companies, their premiums have amounted to about one per cent of the total premium income in the United States and this is diminishing constantly and is now probably not over one-half of one per cent. The small balance of their business can be easily and gladly absorbed by the American companies in conjunction, if need be, with the English and French companies. The highest authorities in the insurance world bear testimony both by letters and by those present that there will not be the slightest difficulty on the part of the American companies in absorbing all the insurance shifted from the German companies.

Exclusion of Enemy Companies

The result of this hearing was a refusal on the part of the Secretary of the Treasury to license such companies.

The terms of the Secretary's decision are as follows:

By virtue of the authority vested in me by the President under the trading with the enemy act to grant or withhold licenses to enemy or ally of enemy insurance companies, a hearing was called of the various parties

interested, including the state superintendents of insurance. The hearing was largely attended, and, after full discussion, briefs were filed.

Upon careful weighing of the evidence submitted, I have reached the conclusion that the safety of the United States requires that enemy and ally of enemy marine, fire and casualty insurance companies shall not be allowed to do business as going concerns. The consideration of safety is so important as to render it unnecessary to determine at this time whether this action is also demanded by other considerations incident to the successful prosecution of the war.

In these circumstances I am convinced that the best interests of the country will be served by the liquidation of these companies under certain direction of their American management and subject to such regulations as the Secretary of the Treasury may from time to time prescribe.

As the liquidation of the life insurance companies involved may work an injustice to policyholders and as the information accessible to such companies can not benefit the enemy because of the character of the business and its inconsiderable proportions, these companies for the present will be allowed to continue existing contracts.¹

The license under which the managers are allowed to liquidate the affairs of these companies provides for the control and supervision of all financial transactions by the Alien Property Custodian. State superintendents of insurance will be furnished with copies of the licenses issued to all such companies authorized to do business in their states.

The following table shows the total assets, unearned premium reserve, total liabilities and net surplus of all the German and German-ally companies on December 31 last, as reported to the New York Insurance Department, together with the premiums written by each company during 1916:

¹ *Journal of Commerce*, November 27, 1917.

German Fire Companies	Assets	Unearned Premiums	Total Liabilities	Net Surplus	Premiums 1916
Aachen & Munich	\$2,850,061.10	\$1,223,090.54	\$1,376,317.70	\$1,473,743.40	\$1,105,348.98
Cologne Reinsurance	1,410,928.16	869,181.96	1,046,577.77	426,758.39	1,077,787.29
Frankona Reinsurance	1,280,957.59	816,593.63	966,597.00	347,960.59	1,168,520.07
Hamburg Assurance	4,813,197.81	3,278,257.19	3,944,119.15	869,078.66	4,604,538.97
Hamburg-Bremen Fire	1,902,350.53	1,123,845.30	1,298,495.30	603,855.23	1,164,062.13
Minerva Retrocession & Reinsurance	770,206.49	375,113.53	450,350.03	319,856.46	461,775.43
Munich Reinsurance	9,126,329.87	5,882,599.18	7,428,017.18	1,698,312.69	7,643,068.92
Nord-Deutsche	1,201,534.84	540,983.53	642,177.87	559,356.97	655,671.10
Prussian National	2,420,067.18	1,347,411.18	1,571,181.34	848,885.84	1,314,763.98
So. German Reinsurance, German Casualty Company	1,515,541.14	653,957.24	787,979.17	727,561.97	869,382.36
Frankfort General Enemy-Ally Com- panies	1,491,947.66	392,879.84	1,018,048.57	223,899.09	1,081,428.02
Balkan National	2,637,012.19	1,436,130.40	1,830,246.40	806,705.79	1,999,514.72
"Bulgaria" First Bulgarian	2,159,304.22	1,339,030.70	1,676,227.76	483,076.52	2,264,082.59
International Reassurance, Austria..	1,272,656.65	658,891.38	833,211.66	439,444.99	930,695.93

Under this ruling of the Secretary of the Treasury, it was necessary for these companies to close up their business, and in order to do so the following license and directions were issued by the government:

I hereby grant a license to the —, whereof —, of —, are United States managers, to continue to do fire, tornado and hail insurance business under the following conditions:

(1) To reinsure its outstanding risks, except with unlicensed enemy or ally of enemy individuals, partnerships, or corporations.

(2) To cancel its policies in accordance with the terms and conditions of the same, and with the consent of the other contracting party, or, as provided by the terms thereof, to cancel treaties or other contracts relating to risks or policies.

(3) To accept cancelation of policies, treaties or other contracts.

(4) To receive payment of agents' balances, premiums, re-insurance premiums, return premiums, reinsurance claims, salvages and other accounts due.

(5) To pay out any money authorized by the Alien Property Custodian, or as hereinafter provided.

(6) To receive money, security, or other property due in respect of insurance or reinsurance business or other obligations entered into prior to the date of this license.

(7) To pay the necessary and reasonable expenses incurred in conducting business under and in accordance with this license.

The foregoing provisions are subject to and limited by the following conditions:

1. That no new insurance or reinsurance shall be written or accepted after 12 days from the date of issuance of this license.

2. That no new reinsurance or retrocession shall be effected or accepted under new or existing contracts or treaties, except in respect to contracts existing at the date hereof, as per list attached, and continued by permission of this Department for not exceeding 45 days from date of this license.

3. That all disbursements shall be made by check or draft, or by letter of instructions authorizing a depositary to make

disbursement for account of the company, and all checks, drafts and letters of instruction must be countersigned or approved by the Alien Property Custodian, or by some person duly authorized thereto by him; except that the licensee may, without counter-signature, pay not exceeding twenty-five hundred dollars to any one claimant in settlement of a loss claim under a policy of liability, casualty or workman's compensation insurance, but no payment shall be made to any unlicensed enemy or ally of enemy as defined in the trading with the enemy act.

4. That statements of all income or outgo and of all assets, liabilities or other affairs of the company shall be rendered when and as required by the Alien Property Custodian, and shall be mailed to the Alien Property Custodian or delivered to such person as shall be duly authorized by him to receive such statement.

5. That all costs or expenses incurred by the Alien Property Custodian or his duly authorized representative in carrying out the foregoing provisions shall be borne by the company.

6. That no communication of any kind be sent out of the United States by the licensee in any manner except with the permission of the Treasury Department.

7. That nothing herein contained shall be deemed to authorize any transaction by the company, its managers or trustees contrary to the laws of any state, territory or the District of Columbia.

8. This license is subject to revocation on notice.

FIRE INSURANCE IN FRANCE

In France the fire insurance companies have had a difficult history, since a considerable part of the country either has been occupied by the enemy, or has been occupied by the French, British and other Allied armies in their efforts to force the enemy out of the country. From the beginning of the struggle, the disturbance occasioned by the war has affected the whole nation and the business of fire insurance has suffered from this chaotic

condition. The pressure on industry has been very great: the derangement of the usual life and activities of the people has been profound; the strain of war has brought about, as in all nations, a certain indifference to the ordinary safeguards of property exposed to fire.

The peculiar conditions arising out of the war have made necessary an understanding between the property interests and the fire insurance companies in France. An arrangement was therefore made, says the French agricultural paper, *La Vie Agricole*, between the President of the Committee of General Fire Insurance Interests and the President of the Association of French Industry and Agriculture.

It was agreed that the position of mobilized persons and insured persons, particularly those in the invaded regions, should be determined as follows:

Nonpayment of Premiums. The nonpayment of premiums shall in no case entail forfeiture of the rights of the assured during the entire period of hostilities.

Risks Destroyed, Disappeared or Reduced by Act of War.

The following four cases contemplate only the assured in the invaded regions:

First Case. The premium is entirely refunded when it has been paid after the destruction or complete disappearance of the risks prior to its falling due.

Second Case. When the destruction or complete disappearance is subsequent to the payment of the premium, the company shall refund as many times one-twelfth of the premium as there were entire months remaining to run, at the time of destruction or disappearance, until the expiry of the period for which the premium had been paid.

Third Case. When the destruction or complete disappearance takes place after the due date but before the payment of the premium, the company shall only require the payment of as many times one-twelfth of the premium as correspond to the number of months elapsed between the maturity of the premium and the destruction or disappearance of the risk, any fraction of a month being reckoned as a complete month.

Fourth Case. In the event of partial destruction or disappearance, whatever the value of the part destroyed or disappeared, the cancelation or splitting up into fractions of the premium is calculated on the foregoing basis, in proportion to the reduction of the capital insured. This reduction is recorded by a memorandum stipulating that it is not a definitive reduction but a partial suspension. On the date of partial or complete restoration of the risk the assured is, on the other hand, bound to declare the extent of the restoration of the risk immediately to the company and to require from the latter the completion of his insurance.

For additional insurance against the risk of suspension of business the companies follow the same rules as in the insurance of material risks.

The cases specified above, whether destruction or complete or partial dis-

appearance is in question, never give rise to cancelation of the insurance but only to its total or partial suspension.

Idleness or Suspension of Operations Owing to War. When a risk is insured against stoppage of work, the special premium in respect thereof will be changed according to the rules laid down above for assessing the fire risk premium.¹

Notwithstanding this generally disturbed condition, the French fire insurance companies have been able to secure on the whole fairly satisfactory results, as reported in *L'Argus*, and translated by *The Economic World* as follows:²

Although not as favorable as those of 1915, the results achieved by the French fixed premium fire insurance companies during the year 1916 proved to be reasonably satisfactory, though allowance must always be made for the unknown quantity of the losses incurred in the invaded districts. Still, of the various branches of insurance it is fire insurance which appears to be getting off the best in the course of the severe ordeals that we are having to endure.

It has more than once been said—and with a certain amount of truth—that the firebugs were for the most part mobilized with our armies. Let us hope that those of them who return from the front will bring back from their sojourn there less subversive ideas than they entertained before the war. Even in their absence, while the sum-total of the insurance written increased nearly five and a half billion francs from 1915 to 1916, the losses increased almost eight million francs.

The following table, which gives the increase or decrease in the amount of insurances written for each of the past seven years, brings out very clearly the effects of the war upon the volume of business done by the French fire insurance companies:

INCREASE (+) OR DECREASE (—) IN THE AMOUNT OF INSURANCES WRITTEN OVER THE PRECEDING YEAR

Year	Francs	Year	Francs
1910.....	+5,398,144,353	1914.....	—1,110,928,122
1911.....	+6,887,774,271	1915.....	—7,128,459,871
1912.....	+5,009,264,659	1916.....	+5,470,359,397
1913.....	+8,665,972,089		

If we turn to the taxes which thrift, in the form of insurance, has had to bear we find a new increase for the year 1916. The principal companies have paid over to the state in 1916 not less than 28,816,929 francs. For the latter they always constitute the ideal collector, since they collect for it gratuitously these numerous millions. Furthermore, not only is this service of collection gratuitous, but the insurance companies have paid these taxes without taking into account the noncollectible premiums in the invaded territory and those still owed by reason of the moratorium.

¹ *The Economic World*, n. s., vol. xii, No. 4, p. 19.

² *L'Argus*, translated by *The Economic World*, n. s., vol. xiv, No. 22, p. 780.

In the following table are given the amount of taxes paid by the companies to the state, and the increase or decrease in the taxes so paid from the previous year for each year since 1910:

Year	Taxes paid (Francs)	Increase (+) or Decrease (—) (Francs)
1910	26,555,287	+ 799,794
1911	27,236,319	+ 681,032
1912	28,277,515	+ 1,041,196
1913	28,894,848	+ 617,333
1914	28,342,279	— 552,119
1915	28,044,555	— 298,174
1916	28,816,929	+ 772,374

If we analyze the results obtained by the individual companies we find that despite the state of war and the fact that the losses incurred were greater than in 1915, all the companies, with one exception, have had an increased production during 1916. The following table gives the amount of insurances written and the losses paid for each of the principal companies during the past year, with comparative figures for 1915:

Company	Amount of Insurances Written		Losses Paid	
	1915 (Francs)	1916 (Francs)	1915 (Francs)	1916 (Francs)
Générale	23,051,345,110	23,855,900,866	8,973,800	10,235,173
Phénix	20,947,632,141	21,853,644,977	7,254,420	7,099,681
Nationale	20,666,425,470	20,824,074,783	8,013,235	8,380,666
Union	28,517,867,432	29,122,337,109	17,019,905	16,610,359
Soleil	17,811,841,186	17,882,830,713	10,758,337	10,340,242
France	14,722,736,418	15,143,039,810	5,284,508	6,878,492
Urbaine	15,469,860,744	16,983,851,857	10,283,424	13,201,324
Providence	6,992,970,667	7,033,054,323	2,532,947	3,144,786
Aigle	9,338,944,973	9,366,550,079	5,422,503	5,542,708
Paternelle	16,344,408,973	16,645,381,407	2,754,458	3,273,340
Confiance	8,268,460,312	9,594,808,630	1,839,939	2,065,501
Abeille	9,948,000,000	10,059,565,194	3,784,231	4,693,424
Monde	6,906,277,748	7,101,309,210	2,993,131	2,924,116
Foncière	10,161,442,095	9,025,387,236	1,738,910	1,669,052
Métropole	6,780,809,160	6,907,645,632	2,654,385	3,164,710
Total	215,929,022,429	221,399,381,826	91,128,133	99,223,574

Summing up the operations of the companies for the past seven years we find that the amount of insurances written, the losses paid and the taxes paid to the state have been as follows:

Year	Insurances Written (Francs)	Losses Paid (Francs)	Taxes Paid (Francs)
1910	203,605,399,403	95,709,695	26,555,287
1911	210,493,173,674	134,198,916	27,236,319
1912	215,502,438,333	111,003,901	28,277,515
1913	224,168,410,422	109,790,147	28,894,848
1914	223,057,482,300	105,207,199	28,342,279
1915	215,929,022,429	91,128,133	28,044,555
1916	221,399,381,826	99,223,574	28,816,929

FIRE INSURANCE IN GERMANY AND AUSTRIA

It has been extremely difficult to secure information as to any kind of insurance from the Central Powers, Germany and Austria on account of the blockade. So far as such information is available, the problems of fire insurance companies seem to be largely the same as those of the fire insurance companies in the other nations at war. There has been a marked depreciation in security values, a tendency for losses to increase, although, as in other nations, the higher level of prices and the consequent increase in value of many forms of property have served in part to counteract some of these negative influences.

Reports for 1915 seem to indicate a more favorable result than those for 1914, as indicated in the following statistics.¹ Premiums have fallen, but losses have decreased.

	Net Premiums M.	Net Losses M.	Premium Reserve M.	Surplus over Losses and Expenses M.	Interest and Other Receipts M.	Depre- ciation Written off M.
1914....	162,403,333	90,125,077	128,482,322	9,026,608	15,996,081	1,620,392
1915....	155,293,593	71,922,234	136,051,573	19,741,779	16,568,200	6,843,462

The figures of the less important branches are as follows:

Hail:						
1914	45,455,339	33,706,271	3,018,659	5,311,891	1,967,468	495,616
1915	39,046,137	25,355,811	3,566,193	7,045,713	2,248,900	588,751
Live Stock:						
1914	17,801,572	14,655,594	1,745,411	256,750	394,401	31,288
1915	16,371,495	13,079,550	1,707,533	712,625	408,448	58,287
Glass:						
1914	9,142,685	5,395,695	8,112,642	654,470	468,063	18,896
1915	8,733,165	5,210,810	8,048,114	636,200	469,782	14,327
Burglary:						
1914	11,583,720	2,613,937	11,210,740	3,915,417	309,746	.....
1915	10,948,529	2,388,933	11,259,491	4,509,801	315,692	11,477
Water Pipes:						
1914	2,833,697	897,008	2,105,273	666,992	75,568	.....
1915	2,726,030	922,596	2,075,458	804,794	79,719	5,500

¹ *Post Magazine and Insurance Monitor* (London), July 7, 1917.

As a matter of interest the grand totals of the last three years are appended :

	Net Premiums M.	Net Losses M.	Premium Reserve M.	Surplus over Losses and Expenses M.	Interest and Other Receipts M.	Depre- ciation Written off M.
1913..	1,520,254,868	844,972,909	5,722,857,258	182,808,814	118,273,368	12,945,675
1914..	1,480,345,941	942,955,961	5,997,400,891	131,792,087	124,667,396	6,745,675
1915..	1,403,013,805	927,539,983	6,252,663,723	159,170,426	127,688,299	19,097,445

From this it will be seen that during the last three years over M. 38,000,000 has been written off on account of depreciation.

In 1915 the paid-up capital of the German joint-stock companies amounted to M. 186,115,365, the uncalled liability being M. 512,382,883. The principal forms of investment were :

House property	174,782,336
Stocks and shares	1,059,988,482
Mortgages	5,777,075,796
Bank deposits	105,484,577

Reinsurance has been a very important part of the German fire insurance organizations and this business, as well as the directly written business, they have lost in the United States, France, England and Russia, and some other nations. It would appear, however, from such reports as are available, that the managers of these German insurance companies have set about, with the zeal and enterprise which has characterized German business activity in so many lines, to recoup these losses and extend their business when peace is declared.

A writer in the *Münchener Neueste Nachrichten* states that in no other branch of economic activity in Germany are the preparations for peace so marked as in insurance. The measures that have been adopted bear the stamp of confidence in a sound future development. German insurance has been able to maintain itself during the three years of war without the aid of moratoria or similar protection, and is at present actively engaged in fortifying itself for the struggle after the war—for the covering of all German requirements for insurance without recourse to the international market, or, at any rate, to enemy countries.

In transport insurance the insurers have long ago deduced for the economic measures adopted in enemy countries the necessity of so strengthening their position as to be able to take the largest risks independently of the international market. Hence the new foundations, especially in the seaport towns (Hamburg, Bremen, Lübeck, Stettin); and the amalgamations, partly in the form of complete coalescence, and partly in the looser form of community of interests. In either case the motive is extension of business and reduction

of outlay, as well as the desire to secure the support of a larger concern.

The same tendency to expansion also manifests itself in the insurance of goods. Furthermore, a large number of fire insurance companies, having increased their guarantee funds, are devoting themselves to transport insurance, while many transport insurance companies are adding fire insurance to their activities. By the not inconsiderable increase in the number of insurers in both these branches, the possibilities of German insurance business are enormously extended, and German insurance is thereby made independent of the international, and especially of the English market.

The movement for the expansion of German insurance has led shipping and trading circles to think of uniting individual insurers into an organization similar to Lloyd's in London.

Whether this scheme will be realized remains to be seen. More welcome, because more in accord with actual requirements, is the new venture started on June 1, 1917, for providing shipping intelligence, which is another practical expression of Germany's desire to free herself from London.

In fire insurance similar tendencies toward fusion and amalgamation, as well as the augmentation of guarantee funds, are observable.¹

In neutral countries, contiguous to the area of the war, fire insurance has also been affected, but in many cases not as seriously as in the countries engaged in the war.

FIRE INSURANCE IN SWEDEN

The situation of fire insurance in the neutral country of Sweden may be described as typical of that in most neutral nations in Europe.

Owing to the war, not only did the 1914 figures of Swedish fire insurance business come to hand later than usual, but their tabulation on this side also had to be delayed. The earlier arrival of the 1915 statistics enables us to present to our readers the joint results of 1914 and 1915. It is satisfactory to note that after the poor profits of 1912 and 1913 the period now under consideration makes a considerably better showing, and what is equally pleasing is the fact that in such strenuous times as the present the British companies may fairly claim to have succeeded in retaining the confidence of their Swedish insured. Another point of interest is that the loss ratio of the foreign companies is less than that of the native concerns.

The gross figures are set forth below. As regards the mutual companies we have only deemed it necessary to give the total results, since they practically confine their operations to Sweden and the individual figures will be found in the *Post Magazine Almanack*.²

¹ Quoted in *Journal of Commerce*, November 26, 1917.

² *Post Magazine and Insurance Monitor* (London), July 7, 1917.

FIRE INSURANCE PREMIUMS AND LOSSES IN SWEDEN

	1914		1915	
Swedish Companies (Home Fire Business):	Premiums Kr.	Losses Kr.	Premiums Kr.	Losses Kr.
Fenix	1,206,152	645,069	1,263,750	409,744
Norrland	1,133,225	687,830	1,228,889	936,867
Ocean			339,748	146,035
Skandia	3,328,372	1,954,048	3,547,951	2,304,091
Skandinavien			87,251	2,242
Skane	1,664,367	981,808	1,702,814	1,011,179
Svea	3,068,454	1,442,121	3,256,559	1,861,073
Victoria	957,512	431,692	1,008,018	621,260
Totals	11,358,082	6,142,568	12,434,980	7,412,491
Swedish Mutual Companies ..	5,115,971	2,975,393	4,794,702	2,212,282
Total for Swedish Companies	16,474,053	9,117,961	17,229,682	9,624,773
Foreign Companies—British:				
Alliance	19,589	5,679	26,595	19,456
Commercial Union	231,887	186,711	227,200	82,987
Liverpool & London & Globe	106,890	47,490	86,751	27,631
North British & Mercantile	321,872	53,108	325,041	205,275
Northern	43,394	3,606	47,373	18,319
Norwich Union	42,637	2,126	41,686	13,702
Palatine	107,019	8,636	96,946	48,837
Phoenix	157,209	41,249	165,980	32,066
Royal	14,453	8,211	9,855	1,605
Sun	166,106	13,675	157,943	61,937
West of Scotland	39,007	3,409	39,141	42,562
Yorkshire	281,188	111,052	257,147	245,603
Total for British Companies	1,531,251	485,102	1,481,658	799,980
French:				
Assurances Générales	87,700	14,570	92,656	23,699
L'Union	186,073	88,458	194,500	71,024
Swiss:				
Baloise	264,383	204,485	253,437	138,150
Dutch:				
Netherlands	17,699	4,141	.....	215
Finnish:				
Fennia	59,999	4,194	47,893	47,404
Danish:				
Kongl-Ochoi	88,563	4,550	98,446	16,291
Nordisk	129,197	193,882	121,089	31,002
Nye Danske	105,511	51,932	122,508	54,841
German:				
Bayer-Bank and Berlinische	73,248	75,373	77,452	7,471
Magdeburger	413,920	50,055	407,851	70,683
Nord-Deutsche	40,140	7,756	40,934	21,383
Preuss. National	146,878	76,390	126,849	32,111
Vaterland and Rhenania ..	95,970	55,875	90,675	50,425
Total for other Foreign Companies	1,709,281	831,661	1,674,290	564,699
Recapitulation:				
Swedish companies	16,474,053	9,117,961	17,229,682	9,624,773
British companies	1,531,251	485,102	1,481,658	799,980
Other companies	1,709,281	831,661	1,674,290	564,699
Totals	19,714,585	10,434,724	20,385,630	10,989,452

SUMMARY

If, then, a summary of the effect of the war on fire insurance is attempted, the following statements may be made:

First, it is somewhat surprising that the fire insurance companies have been able to make so good a showing with respect to financial results. In a number of cases, the returns to shareholders since the war are in excess of those enjoyed in many years previous to the war. Warning, however, must again be given against making too sweeping deductions as to final results of the effect of the war on fire insurance. In many cases complete statistics are not available and in many cases causes which will produce negative results either have not had time to bring about these final effects, or have not yet begun to operate.

Second, there has been a marked increase in the hazards or risks in fire insurance in practically all the leading nations. In some cases this has been counteracted by the increase in the rates. Owing to the high level of prices and the consequent increase in property values, the fire insurance companies have been able to increase their premium receipt without a proportional increase in the number of risks written. This has had a twofold favorable result. In the first place, it has meant an increased premium receipt on the same volume of business without any marked increase in certain material expenses connected with writing the risk. In the second place, unless a marked increase in the losses occurred, this has meant a larger amount out of which to pay losses, or, in other words, a reduction in the real amount at risk by the insurance company.

Third, there has been an increase in the amount of taxes which the companies have had to pay, as well as an increase in wages and prices for supplies. At the same time, there has been a depreciation in many of the investments held by fire insurance companies.

All in all, it can scarcely be argued that the war has brought to the business of fire insurance, any more than to most businesses, conditions which are favorable. The war has intro-

duced into the fire insurance business many disturbing factors, and it is in times of peace a business which has to contend with so many fluctuating conditions, that anything approaching scientific bases for determining prices or rates is extremely difficult to secure.

APPENDIX A

War Risk Insurance

TREASURY DEPARTMENT, *September 8, 1914.*

The appended act of Congress, approved September 2, 1914, establishing a Bureau of War Risk Insurance in the Treasury Department, is published for the information and guidance of all concerned.

W. G. McADOO,
Secretary of the Treasury.

[Public No. 193, 63d Congress—S. 6357.]

AN ACT To authorize the establishment of a Bureau of War Risk Insurance in the Treasury Department.

Whereas the foreign commerce of the United States is now greatly impeded and endangered through the absence of adequate facilities for the insurance of American vessels and their cargoes against the risks of war; and Whereas it is deemed necessary and expedient that the United States shall temporarily provide for the export shipping trade of the United States adequate facilities for the insurance of its commerce against the risks of war: Therefore

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That there is established in the Treasury Department a bureau to be known as the Bureau of War Risk Insurance, the director of which shall be entitled to a salary at the rate of \$5000 per annum.

SEC. 2. That the said Bureau of War Risk Insurance, subject to the general direction of the Secretary of the Treasury, shall, as soon as practicable, make provisions for the insurance by the United States of American vessels, their freight and passage moneys, and cargoes shipped or to be shipped therein, against loss or damage by the risks of war, whenever it shall appear to the Secretary that American vessels, shippers, or importers in American vessels are unable in any trade to secure adequate war risk insurance on reasonable terms.

SEC. 3. That the Bureau of War Risk Insurance, with the approval of the Secretary of the Treasury, is hereby authorized to adopt and publish a form of war risk policy, and to fix reasonable rates of premium for the insurance of American vessels, their freight and passage moneys and cargoes against war risks, which rates shall be subject to such change, to each port and for each class, as the Secretary shall find may be required by the circumstances. The proceeds of the aforesaid premiums when received shall be covered into the Treasury of the United States.

SEC. 4. That the Bureau of War Risk Insurance, with the approval of the Secretary of the Treasury, shall have power to make any and all rules and regulations necessary for carrying out the purposes of this Act.

SEC. 5. That the Secretary of the Treasury is authorized to establish an advisory board, to consist of three members skilled in the practices of war risk insurance, for the purpose of assisting the Bureau of War Risk Insurance in fixing rates of premium and in adjustment of claims for losses, and generally in carrying out the purposes of this Act; the compensation of the members of said board to be determined by the Secretary of the Treasury, but not to exceed \$25 a day each, while actually employed. In the event of disagreement as to the claim for losses, or amount thereof, between the said bureau and the parties to such contract of insurance, an action on the claim may be brought against the United States in the District Court of the United States, sitting in admiralty, in the district in which the claimant or his agent may reside.

SEC. 6. That the Director of the Bureau of War Risk Insurance, upon the adjustment of any claims for losses in respect of which no action shall have been begun, shall, on approval of the Secretary of the Treasury, promptly pay such claim for losses to the party in interest; and the Secretary of the Treasury is directed to make provision for the speedy adjustment of claims for losses and also for the prompt notification of parties in interest of the decisions of the bureau on their claims.

SEC. 7. That for the purpose of paying losses accruing under the provisions of this Act there is hereby appropriated, out of any money in the Treasury of the United States not otherwise appropriated, the sum of \$5,000,000.

SEC. 8. That there is hereby appropriated, for the purpose of defraying the expenses of the establishment and maintenance of the Bureau of War Risk Insurance, including the payment of salaries herein authorized and other personal services in the District of Columbia, out of any money in the Treasury of the United States not otherwise appropriated, the sum of \$100,000.

SEC. 9. That the President is authorized whenever, in his judgment, the necessity of further war insurance by the United States shall have ceased to exist, to suspend the operations of this Act in so far as it authorizes insurance by the United States against loss or damage by risks of war, which suspension shall be made, at any event, within two years after the passage of this Act, but shall not affect any insurance outstanding at the time or any claims pending adjustment. For the purpose of the final adjustment of any such outstanding insurance or claims, the Bureau of War Risk Insurance may, in the discretion of the President, be continued in existence a further period not exceeding one year.

SEC. 10. That a detailed statement of all expenditures under this Act and of all receipts hereunder shall be submitted to Congress at the beginning of each regular session.

SEC. 11. That this Act shall take effect from and after its passage.

Approved, September 2, 1914.

(W. R. I. 1.)

*Instructions to Collectors of Customs and Others Concerned Relating to
Applications for Government War Risk Insurance*

TREASURY DEPARTMENT, September 4, 1914.

VESSELS

1. Applications for insurance on vessels under the American flag will be accepted for periods of ninety days or for voyages commencing on and after the date hereof.
2. The only risks that will be covered are those included in the form of policy to be issued by the Bureau of War Risk Insurance, as per copy sent to collectors of customs and others.
3. Applications for vessel policies must be made direct to the Bureau of War Risk Insurance, Treasury Department, Washington, D. C. Policies will be issued in Washington only, and no agent or representative of the Government may bind or otherwise accept insurance unless specially authorized by the bureau at Washington.
4. The rates of premium charged may be had upon application to the Bureau of War Risk Insurance.
5. The Bureau of War Risk Insurance is not bound by any errors made in the calculating of the premium or in filling in the form. Should error be subsequently discovered a readjustment must be made.
6. All applications for insurance must be made personally by the insured or his representative.
7. Collectors of customs and others should familiarize themselves with the conditions appearing on the forms of applications and sample policies sent to them.

W. G. McAdoo,
Secretary of the Treasury.

(W. R. I. 2.)

*Instructions to Collectors of Customs and Others Concerned Relating to
Applications for Government War Risk Insurance*

TREASURY DEPARTMENT, September 4, 1914.

CARGO

1. Applications for insurance may be made to the collector of customs or his duly authorized deputy or to the deputy collector in charge of any port of entry.
2. Applications for insurance will be accepted only in respect to cargoes shipped or voyages commencing on and after the date hereof.

3. The only risks that will be covered are those included in the form of policy to be issued by the Bureau of War Risk Insurance, as per copy sent to collectors of customs and others.

4. A policy will be issued for each risk, but only upon confirmed acceptance from the Bureau of War Risk Insurance, Washington, D. C.

5. Each request for insurance must be submitted by the collector or deputy collector to the Bureau of War Risk Insurance by wire, and must state the name of the vessel, the nature of the cargo, amount of insurance required, the destination, and approximate date of sailing. A rate for acceptance will be wired to the collector by the bureau. If the rate quoted is accepted by the applicant, an application shall be made in duplicate upon the form prescribed, the original to be signed by the applicant or his duly authorized representative and the duplicate application to be signed by the collector or his authorized deputy and given to the applicant. The original is to be sent by the first mail to the Bureau of War Risk Insurance at Washington, where a policy will be issued with all possible dispatch and mailed to the collector of customs, who will in turn deliver it to the assured upon his surrender of the duplicate application.

6. No signed application shall be delivered to the assured until the rate quoted by the bureau is accepted; and in no case shall any signed application be delivered until the premium is paid. Checks shall be made payable to the Treasurer of the United States and forwarded with the application. All checks must be certified.

7. The collector of customs shall fully satisfy himself before submitting any war risk that the applicant has marine insurance in an insurance company or companies on the cargo on which he wishes war risk insurance.

8. The amount insured against war risk can not, in any circumstances, exceed the amount insured against marine risks. If the applicant is unable to state definitely the amount to be insured, he shall declare a provisional amount, which may not be increased, but which may be reduced, upon receipt of definite advice, to an amount not less than the total amount insured under marine policies. Premiums shall be paid on this provisional amount, and if the amount is reduced, when final particulars are known, the excess of such premium will be returned to the assured by the Treasury Department.

9. The rate of premium charged will be made from day to day by the Bureau of War Risk Insurance and may be had upon application to the bureau. The rate will vary for the different voyages and the cargoes insured.

10. The Bureau of War Risk Insurance will not be bound by any errors made in the calculation of the premium or in filling in the form. Should error be subsequently discovered, a readjustment must be made.

11. All applications for insurance must be made personally by the insurer or his duly authorized representatives.

12. Customs officials should familiarize themselves with the conditions appearing on the forms of applications and sample policies sent to collectors of customs and others.

W. G. McADOO,
Secretary of the Treasury.

APPENDIX B

[PUBLIC—No. 20—65TH CONGRESS]

[S. 2133]

An Act To amend an Act entitled "An Act to authorize the establishment of a Bureau of War Risk Insurance in the Treasury Department," approved September second, nineteen hundred and fourteen, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the first section of the Act entitled "An Act to authorize the establishment of a Bureau of War Risk Insurance in the Treasury Department," approved September second, nineteen hundred and fourteen, is hereby amended to read as follows:

"That there is established in the Treasury Department a bureau to be known as the Bureau of War Risk Insurance, the director of which shall be entitled to a salary at the rate of \$5000 per annum."

SEC. 2. That section two of such Act is hereby amended to read as follows:

"SEC. 2. That the said Bureau of War Risk Insurance, subject to the general direction of the Secretary of the Treasury, shall, as soon as practicable, make provisions for the insurance by the United States of American vessels, their freight and passage moneys, cargoes shipped or to be shipped therein, and personal effects of the masters, officers, and crews thereof against loss or damage by the risks of war, whenever it shall appear to the Secretary that American vessels, shippers or importers in American vessels, or the masters, officers, or crews of such vessels, are unable in any trade to secure adequate war-risk insurance on reasonable terms.

"The Bureau of War Risk Insurance, subject to the general direction of the Secretary of the Treasury, shall, as soon as practicable, make provisions for the insurance by the United States, as further provided in section three a, of masters, officers, and crews of American merchant vessels against loss of life or personal injury by the risks of war, and for compensation during detention following capture by enemies of the United States whenever it shall appear to the Secretary that in any trade the need for such insurance exists."

SEC. 3. That there is hereby added to such Act a new section, to be known as section two a, to read as follows:

"SEC. 2a. That the Bureau of War Risk Insurance, with the approval of the Secretary of the Treasury, is hereby authorized to make provisions for the reinsurance by the United States of vessels of foreign friendly flags or their cargoes, or both, when such vessels or their cargoes are insured by the Government of any country which is at war with an enemy of the United States; and, further, to reinsure with the Governments of any countries which are at war with an enemy of the United States American vessels and their cargoes."

SEC. 4. That section three of such Act is hereby amended to read as follows:

"SEC. 3. That the Bureau of War Risk Insurance, with the approval of the Secretary of the Treasury, is hereby authorized to adopt and publish forms of war-risk policies and to fix reasonable rates of premium for the policies which it is authorized to issue under this Act, which rates shall be subject to such change to each port and for each class as the Secretary shall find may be required by the circumstances. All proceeds of the aforesaid premium and from salvage which have been or are hereafter received shall be covered into the Treasury of the United States to the credit of the Bureau of War Risk Insurance, and in addition to all other appropriations made under this Act are hereby permanently appropriated for the purpose of paying losses and return premiums accruing under this Act."

SEC. 5. That there is hereby added to such Act a new section, to be known as section three a, to read as follows:

"SEC. 3a. That whenever it shall appear to the Secretary of the Treasury that the effecting of such insurance is desirable in the national interest in the case of vessels engaged in any trade, the owner of every American merchant vessel engaged in such trade shall insure the master, officers, and crew of such vessel against loss of life or personal injury from war risks as well as for compensation during detention by an enemy of the United States following capture.

"Such insurance shall be effected either with the Bureau of War Risk Insurance or in insurance companies, and on terms satisfactory to the Secretary of the Treasury.

"Such insurance shall provide, and the Bureau of War Risk Insurance is authorized to write policies so providing—

"(a) In case of death, permanent disability which prevents the person injured from performing any and every kind of duty pertaining to his occupation, or the loss of both hands, both arms, both feet, both legs, or both eyes or any two thereof, for the payment of an amount equivalent to one year's earnings, or to twelve times the monthly earnings of the insured, as fixed in the articles for the voyage (hereinafter referred to as the principal sum), but in no case shall such amount be more than \$5000 or less than \$1500;

"(b) In case of any of the following losses, for the payment of the percentage of the principal sum indicated in the following tables:

"One hand, fifty per centum;

"One arm, sixty-five per centum;

"One foot, fifty per centum;

"One leg, sixty-five per centum;

"One eye, forty-five per centum;

"Total destruction of hearing, fifty per centum;

"That the Bureau of War Risk Insurance may include in its policy undertakings to pay specified percentages of the principal sum for other losses or disabilities; and

"(c) In case of detention by an enemy of the United States, following

capture, for the payment during the continuance of such detention of compensation at the same rate as the earnings of the insured immediately preceding such detention, to be determined in substantially the same manner as provided in subdivision (a) of this section.

"The aggregate payments under this section in respect to any one person shall not exceed the amount of the principal sum.

"Payments provided for in this section shall be made only to the master, officer, or member of the crew concerned, except that a payment for loss of life shall be made to the estate of the insured for distribution to his family free from liability of debt, and payment on account of detention by an enemy following capture shall be made to dependents of the person detained, if designated by him.

"No claim under this section shall be valid unless made by the master, officer, or member of the crew concerned, or his estate, or a person designated under this section, within two years after the date on which the President suspends the operation of this Act in so far as it authorizes insurance by the United States."

SEC. 6. That there is hereby added to such Act a new section to be known as section three b, to read as follows:

"SEC. 3b. That in the event of failure of the owner of any vessel to effect insurance of the master, officers, and crew of such vessel prior to sailing, in accordance with section three a of this Act, the Secretary of the Treasury is hereby authorized to effect such insurance with the Bureau of War Risk Insurance at the expense of the owner of such vessel, and the latter shall be liable for such expense and, in addition, to a penalty of not exceeding \$1000. The amount of such premium, with interest and of the penalty and of all costs, shall be a lien on the vessel."

SEC. 7. That section five of such Act is hereby amended to read as follows:

"SEC. 5. That the Secretary of the Treasury is authorized to establish an advisory board, to consist of three members skilled in the practices of war-risk insurance, for the purpose of assisting the Bureau of War Risk Insurance in fixing rates of premium and in adjustment of claims for losses, and generally in carrying out the purposes of this Act; the compensation of the members of said board to be determined by the Secretary of the Treasury, but not to exceed \$20 a day each, while actually employed. He is likewise authorized to appoint two persons skilled in the practices of accident insurance for the purpose of assisting the Bureau of War Risk Insurance in the adjustment of claims for death, personal injury, or detention; the compensation of the persons so appointed to be determined by the Secretary of the Treasury, but not to exceed \$20 a day each, while actually employed. In the event of disagreement as to the claim for losses, or amount thereof, between the said bureau and the parties to such contract of insurance, an action on the claim may be brought against the United States in the district court of the United States, sitting in admiralty, in the district in which the claimant or his agent may reside."

SEC. 8. That there is hereby added to such Act a new section to be known as section five a, to read as follows:

"SEC. 5a. No claim agent or attorney shall be entitled to receive any compensation whatever for services in the collection of claims against the Bureau of War Risk Insurance for death, personal injury, or detention, except when proceedings are taken in accordance with section five in a district court of the United States, in which case the judge shall, as a part of his determination and order, settle and determine the amount of compensation not to exceed ten per centum of amount recovered, to be paid by the claimant on behalf of whom such proceedings are instituted to his legal adviser or advisers, and it shall be unlawful for any lawyer or other person acting in that behalf to ask for, contract for, or receive any larger sum than the amount so fixed."

SEC. 9. That section seven of such Act is hereby amended to read as follows:

"SEC. 7. That for the purpose of paying losses and return premiums accruing under the provisions of this Act there is hereby appropriated out of any money in the Treasury of the United States not otherwise appropriated, the sum of \$50,000,000."

SEC. 10. That section eight of such Act is hereby amended to read as follows:

"SEC. 8. That there is hereby appropriated, for the purpose of defraying the expenses of the establishment and maintenance of the Bureau of War Risk Insurance, including the payment of salaries herein authorized and other personal services, and for the purchase of necessary books of reference, periodicals, etc., that may be paid for in advance out of any money in the Treasury of the United States not otherwise appropriated, the sum of \$250,000."

SEC. 11. That section nine of such Act is hereby amended to read as follows:

"SEC. 9. That the President is authorized whenever in his judgment the necessity of further war insurance by the United States shall have ceased to exist to suspend the operation of the Act, in so far as it authorizes insurance by the United States against loss or damage by risks of war, which suspension shall be made, in any event, within four years after the passage of this Act, but shall not affect any insurance outstanding at the time or any claims pending adjustment. For the purpose of the final adjustment of any such outstanding insurance or claims, the Bureau of War Risk Insurance may, in the discretion of the President, be continued in existence a further period not exceeding three years."

SEC. 12. That the Act entitled "An Act to amend an Act entitled 'An Act to authorize the establishment of a Bureau of War Risk Insurance in the Treasury Department,' approved September second, nineteen hundred and fourteen," approved August eleventh, nineteen hundred and sixteen, and the Act entitled "An Act to amend an Act entitled 'An Act to authorize the establishment of a Bureau of War Risk Insurance in the Treasury Department,' approved September second, nineteen hundred and fourteen," approved March third, nineteen hundred and seventeen, are hereby repealed.

Approved, June 12, 1917.

APPENDIX C

[PUBLIC—No. 90—65TH CONGRESS]

[H. R. 5723]

An Act To amend an Act entitled "An Act to authorize the establishment of a Bureau of War Risk Insurance in the Treasury Department," approved September second, nineteen hundred and fourteen, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the first section of the Act entitled "An Act to authorize the establishment of a Bureau of War Risk Insurance in the Treasury Department," approved September second, nineteen hundred and fourteen, as amended, is hereby amended to read as follows:

"ARTICLE I

"SECTION 1. That there is established in the Treasury Department a Bureau to be known as the Bureau of War Risk Insurance, the director of which shall receive a salary at the rate of \$5000 per annum.

"That there be in such bureau a Division of Marine and Seamen's Insurance and a Division of Military and Naval Insurance in charge of a commissioner of Marine and Seamen's Insurance and a commissioner of Military and Naval Insurance, respectively, each of whom shall receive a salary of \$4000 per annum."

SEC. 2. That such Act of September second, nineteen hundred and fourteen, as amended, is hereby amended by adding new sections, as follows:

"SEC. 12. That sections two to seven, inclusive, and section nine, shall be construed to refer only to the Division of Marine and Seamen's Insurance.

"SEC. 13. That the director, subject to the general direction of the Secretary of the Treasury, shall administer, execute, and enforce the provisions of this Act, and for that purpose have full power and authority to make rules and regulations, not inconsistent with the provisions of this Act, necessary or appropriate to carry out its purposes, and shall decide all questions arising under the Act, except as otherwise provided in sections five and four hundred and five. Wherever under any provision or provisions of the Act regulations are directed or authorized to be made, such regulations, unless the context otherwise requires, shall or may be made by the director, subject to the general direction of the Secretary of the Treasury. The director shall adopt reasonable and proper rules to govern the procedure of the divisions, to regulate the matter of the compensation, if any, but in no case to exceed ten per centum, to be paid to claim agents and attorneys for services in connection with any of the matters provided for in articles two, three, and four, and to regulate and provide for the nature and extent of the proofs

and evidence and the method of taking and furnishing the same in order to establish the right to benefits of allowance, allotment, compensation, or insurance provided for in this Act, the forms of application of those claiming to be entitled to such benefits, the method of making investigations and medical examinations, and the manner and form of adjudications and awards.

"SEC. 14. That the bureau and its divisions shall have such deputies, assistants, actuaries, clerks, and other employees as may be from time to time provided by Congress. The bureau shall, by arrangement with the Secretary of War and the Secretary of the Navy, respectively, make use of the services of surgeons in the Army and Navy. The Secretary of the Treasury is authorized to establish an advisory board consisting of three members skilled in the practice of insurance against death or disability for the purpose of assisting the Division of Military and Naval Insurance in fixing premium rates and in the adjustment of claims for losses under the contracts of insurance provided for in article four and in adjusting claims for compensation under article three; compensation for the persons so appointed to be determined by the Secretary of the Treasury, but not to exceed \$20 a day each while actually employed.

"SEC. 15. That for the purposes of this Act, the director, commissioners, and deputy commissioners shall have power to issue subpoenas for and compel the attendance of witnesses within a radius of one hundred miles, to require the production of books, papers, documents, and other evidence, to administer oaths and to examine witnesses upon any matter within the jurisdiction of the bureau. The director may obtain such information and such reports from officials and employees of the departments of the Government of the United States and of the States as may be agreed upon by the heads of the respective departments. In case of disobedience to a subpoena, the bureau may invoke the aid of any district court of the United States in requiring the attendance and testimony of witnesses and the production of documentary evidence, and such court, within the jurisdiction of which the inquiry is carried on, may, in case of contumacy or refusal to obey a subpoena issued to any officer, agent, or employee of any corporation or other person, issue an order requiring such corporation or other person to appear before the bureau, or to give evidence touching the matter in question; and any failure to obey such order of the court may be punished by such court as a contempt thereof. Any person so required to attend as a witness shall be allowed and paid the same fees and mileage as are paid witnesses in the district courts of the United States.

"SEC. 16. That the director shall submit annually to the Secretary of the Treasury estimates of the appropriations necessary for the work of the bureau.

"SEC. 17. That for the purpose of carrying out the provisions of this Act there is hereby appropriated, out of any moneys in the Treasury not otherwise appropriated, the sum of \$100,000, for the payment of all expenses incident to the work authorized under this Act, including salaries of the director and commissioners and of such deputies, assistants, accountants, experts, clerks, and other employees in the District of Columbia or elsewhere,

as the Secretary of the Treasury may deem necessary, traveling expenses, rent and equipment of offices, typewriters and exchange of same, purchase of law books and books of reference, printing and binding to be done at the Government Printing Office, and all other necessary expenses. With the exception of the director, the commissioners, and such special experts as the Secretary of the Treasury may from time to time find necessary for the conduct of the work of the bureau, all employees of the bureau shall be appointed from lists of eligibles to be supplied by the Civil Service Commission and in accordance with the civil-service law. Such fees, allowances, and salaries shall be the same as are paid for similar services in other departments of the Government.

"SEC. 18. That there is hereby appropriated from any money in the Treasury not otherwise appropriated, the sum of \$141,000,000, to be known as the military and naval family allowance appropriation, for the payment of the family allowances provided by Article II. Payments out of this appropriation shall be made upon and in accordance with awards by the Commissioner of the Division of Military and Naval Insurance.

"SEC. 19. That there is hereby appropriated, from any money in the Treasury not otherwise appropriated, the sum of \$12,150,000, to be known as the military and naval compensation appropriation, for the payment of the compensation, funeral expenses, services, and supplies provided by Article III. Payments out of this appropriation shall be made upon and in accordance with awards by the director.

"SEC. 20. That there is hereby appropriated, from any money in the Treasury not otherwise appropriated, the sum of \$23,000,000, to be known as the military and naval insurance appropriation. All premiums that may be collected for the insurance provided by the provisions of Article IV shall be deposited and covered into the Treasury to the credit of this appropriation.

"Such sum, including all premium payments, is hereby made available for the payment of the liabilities of the United States incurred under contracts of insurance made under the provisions of Article IV. Payments from this appropriation shall be made upon and in accordance with awards by the director.

"SEC. 21. That there shall be set aside as a separate fund in the Treasury, to be known as the military and naval pay deposit fund, all sums held out of pay as provided by section two hundred and three of this Act. Such fund, including all additions, is hereby made available for the payment of the sums so held and deposited, with interest, as provided in section two hundred and three, and the amount necessary to pay interest is hereby appropriated.

"SEC. 22. That for the purpose of this amendatory Act the marriage of the claimant to the person on account of whom the claim is made shall be shown—

- "(1) By a duly verified copy of a public or church record; or
- "(2) By the affidavit of the clergyman or magistrate who officiated; or
- "(3) By the testimony of two or more eyewitnesses to the ceremony; or
- "(4) By a duly verified copy of the church record of baptism of the children; or

"(5) By the testimony of two or more witnesses who know that the parties lived together as husband and wife, and were recognized as such, and who shall state how long, within their knowledge, such relation continued: *Provided*, That marriages, except such as are mentioned in section forty-seven hundred and five of the Revised Statutes, shall be proven in compensation or insurance cases to be legal marriages according to the law of the place where the parties resided at the time of marriage or at the time when the right to compensation or insurance accrued; and the open and notorious illicit cohabitation of a widow who is a claimant shall operate to terminate her right to compensation or insurance from the commencement of such cohabitation: *Provided further*, That for the purpose of the administration of Article II of this Act marriage shall be conclusively presumed, in the absence of proof, that there is a legal spouse living, if the man and woman have lived together in the openly acknowledged relation of husband and wife during the two years immediately preceding the date of the declaration of war, or the date of enlistment or of entrance into or employment in active service in the military or naval forces of the United States if subsequent to such declaration."

In Articles II, III, and IV of this Act unless the context otherwise requires—

"(1) The term 'child' includes—

"(a) A legitimate child.

"(b) A child legally adopted more than six months before the enactment of this amendatory Act or before enlistment or entrance into or employment in active service in the military or naval forces of the United States, whichever of these dates is the later.

"(c) A stepchild, if a member of the man's household.

"(d) An illegitimate child, but, as to the father, only, if acknowledged by instrument in writing signed by him, or if he has been judicially ordered or decreed to contribute to such child's support, and if such child, if born after December thirty-first, nineteen hundred and seventeen, shall have been born in the United States, or in its insular possessions.

"(2) The term 'grandchild' means a child as above defined of a child as above defined.

"(3) Except as used in section four hundred and one and in section four hundred and two the terms 'child' and 'grandchild' are limited to unmarried persons either (a) under eighteen years of age, or (b) of any age, if insane, idiotic, or otherwise permanently helpless.

"(4) The term 'parent' includes a father, mother, grandfather, grandmother, stepfather and stepmother, either of the person in the service or of the spouse.

"(5) The terms 'brother' and 'sister' include brothers and sisters of the half blood as well as those of the whole blood, stepbrothers and stepsisters and brothers and sisters through adoption.

"(6) The term 'commissioned officer' includes a warrant officer, but includes only an officer in active service in the military or naval forces of the United States.

"(7) The terms 'man' and 'enlisted man' mean a person, whether male or female, and whether enlisted, enrolled, or drafted into active service in the military or naval forces of the United States, and include noncommissioned and petty officers, and members of training camps authorized by law.

"(8) The term 'enlistment' includes voluntary enlistment, draft, and enrollment in active service in the military or naval forces of the United States.

"(9) The term 'commissioner' means the Commissioner of Military and Naval Insurance.

"(10) The term 'injury' includes disease.

"(11) The term 'pay' means the pay for service in the United States according to grade and length of service, excluding all allowances.

"(12) The term 'military or naval forces' means the Army, the Navy, the Marine Corps, the Coast Guard, the Naval Reserves, the National Naval Volunteers, and any other branch of the United States service while serving pursuant to law with the Army or the Navy.

"SEC. 23. That when, by the terms of this amendatory Act, any payment is to be made to a minor, other than a person in the military or naval forces of the United States, or to a person mentally incompetent, such payment shall be made to the person who is constituted guardian or curator by the laws of the State or residence of claimant, or is otherwise legally vested with responsibility or care of the claimant.

"SEC. 24. That the Bureau of War Risk Insurance, so far as practicable, shall upon request furnish information to and act for persons in the military or naval service, with respect to any contracts of insurance whether with the Government or otherwise, as may be prescribed by regulations. Said bureau may upon request procure from and keep a record of the amount and kind of insurance held by every commissioned and appointive officer and of every enlisted man in the military or naval service of the United States, including the name and principal place of business of the company, society, or organization in which such insurance is held, the date of the policy, amount of premium, name and relationship of the beneficiary, and such other data as may be deemed of service in protecting the interests of the insured and beneficiaries.

"SEC. 25. That whoever in any claim for family allowance, compensation, or insurance, or in any document required by this Act or by regulation made under this Act, makes any statement of a material fact knowing it to be false, shall be guilty of perjury and shall be punished by a fine of not more than \$5000, or by imprisonment for not more than two years, or both.

"SEC. 26. That if any person entitled to payment of family allowance or compensation under this Act, whose right to such payment under this Act ceases upon the happening of any contingency, thereafter fraudulently accepts any such payment, he shall be punished by a fine of not more than \$2000, or by imprisonment for not more than one year, or both."

ARTICLE II

ALLOTMENTS AND FAMILY ALLOWANCES

SEC. 200. That the provisions of this article shall apply to all enlisted men in the military or naval forces of the United States.

SEC. 201. That allotment of pay shall, subject to the conditions, limitations, and exceptions hereinafter specified, be compulsory as to wife, a former wife divorced who has not remarried and to whom alimony has been decreed, and a child, and voluntary as to any other person; but on the written consent of the wife or former wife divorced, supported by evidence satisfactory to the bureau of her ability to support herself and the children in her custody, the allotment for her and for such children may be waived; and on the enlisted man's application or otherwise for good cause shown, exemption from the allotment may be granted upon such conditions as may be prescribed by regulations.

The monthly compulsory allotment shall be in an amount equal to the family allowance hereinafter specified except that it shall not be more than one-half the pay, or less than \$15; but for a wife living separate and apart under court order or written agreement or for a former wife divorced, it shall not exceed the amount specified in the court order, decree, or written agreement to be paid to her. For an illegitimate child, to whose support the father has been judicially ordered or decreed to contribute, it shall not exceed the amount fixed in the order or decree.

If there be an allotment for a wife or child, a former wife divorced and who has not remarried shall be entitled to a compulsory allotment only out of the difference, if any, between the allotment for the wife or child or both and one-half of the pay.

SEC. 202. That the enlisted man may allot any proportion or proportions or any fixed amount or amounts of his monthly pay or of the proportion thereof remaining after the compulsory allotment, for such purposes and for the benefit of such person or persons as he may direct, subject, however, to such conditions and limitations as may be prescribed under regulations to be made by the Secretary of War and the Secretary of the Navy, respectively.

SEC. 203. That in case one-half of an enlisted man's monthly pay is not allotted, regulations to be made by the Secretary of War and the Secretary of the Navy, respectively, may require, under such circumstances and conditions as may be prescribed in such regulations, that any proportion of such one-half pay as is not allotted shall be deposited to his credit, to be held during such period of his service as may be prescribed. Such deposits shall bear interest at the rate of four per centum per annum, with semiannual rests and, when payable, shall be paid principal and interest to the enlisted man, if living, otherwise to any beneficiary or beneficiaries he may have designated, or if there be no such beneficiary, then to the person or persons

who would under the laws of the State of his residence be entitled to his personal property in case of intestacy.

SEC. 204. That a family allowance of not exceeding \$50 per month shall be granted and paid by the United States upon written application to the bureau by such enlisted man or by or on behalf of any prospective beneficiary, in accordance with and subject to the conditions, limitations, and exceptions hereinafter specified.

The family allowance shall be paid from the time of enlistment to death in or one month after discharge from the service, but not for more than one month after the termination of the present war emergency. No family allowance shall be made for any period preceding November first, nineteen hundred and seventeen. The payment shall be subject to such regulations as may be prescribed relative to cases of desertion and imprisonment and of missing men.

Subject to the conditions, limitations, and exceptions hereinabove and hereinafter specified, the family allowance payable per month shall be as follows:

Class A. In the case of a man, to his wife (including a former wife divorced) and to his child or children:

- (a) If there be a wife but no child, \$15.
- (b) If there be a wife and one child, \$25.
- (c) If there be a wife and two children, \$32.50, with \$5 per month additional for each additional child.
- (d) If there be no wife, but one child, \$5.
- (e) If there be no wife, but two children, \$12.50.
- (f) If there be no wife, but three children, \$20.
- (g) If there be no wife, but four children, \$30, with \$5 per month additional for each additional child.

Class B. In the case of a man or woman, to a grandchild, a parent, brother or sister:

- (a) If there be one parent, \$10.
 - (b) If there be two parents, \$20.
 - (c) For each grandchild, brother, sister, and additional parent, \$5.
- In the case of a woman, to a child or children:
- (d) If there be one child, \$5.
 - (e) If there be two children, \$12.50.
 - (f) If there be three children, \$20.
 - (g) If there be four children, \$30, with \$5 per month additional for each additional child.

SEC. 205. That family allowances for members of Class A shall be paid only if and while a compulsory allotment is made to a member or members of such class. The monthly family allowance to a former wife divorced shall be payable only out of the difference, if any, between the monthly family allowance to the other members of Class A and the sum of \$50, and only then if alimony shall have been decreed to her. For a wife living separate and apart under court order or written agreement or to a former wife divorced the monthly allowance, together with the allotment, if any, shall not exceed the amount specified in the court order, decree, or written

agreement to be paid to her. For an illegitimate child, to whose support the father has been judicially ordered or decreed to contribute, it shall not exceed the amount fixed in the order or decree.

SEC. 206. That family allowances to members of Class B shall be granted only if and while the member is dependent in whole or in part on the enlisted man, and then only if and while the enlisted man makes a monthly allotment of his pay for such member or members equal to the amount of the monthly family allowance as hereinabove specified, except that—

(a) The maximum monthly allotment so required to be made to members of Class B shall be one-half of his pay.

(b) If he is making no allotment to a member of Class A, the minimum monthly allotment so designated to be made to members of Class B shall be \$15 per month.

(c) If he is making the compulsory allotment to a member of Class A, the minimum monthly allotment so designated to be made to members of Class B shall be one-seventh of his pay, but not less than \$5 per month.

On the enlisted man's application, or otherwise for good cause shown, exemption from this additional allotment under Class B as a condition to the allowance may be granted, upon such conditions as may be prescribed by regulations.

SEC. 207. That the amount of the family allowance to members of Class B shall be subject to each of the following limitations:

(a) If an allowance is paid to one or more beneficiaries of Class A, the total allowance to be paid to the beneficiaries of Class B shall not exceed the difference between the allowance paid to the beneficiaries of Class A and the sum of \$50.

(b) The total monthly allowance to beneficiaries of Class B added to the enlisted man's monthly allotment to them shall not exceed the average sum habitually contributed by him to their support monthly during the period of dependency but not exceeding a year immediately preceding his enlistment or the enactment of this amendatory Act.

SEC. 208. That as between the members of Class A and as between the members of Class B, the amount of the allotment and family allowance shall be apportioned as may be prescribed by regulations.

SEC. 209. The War and Navy Departments, respectively, shall pay over to the Treasury Department monthly the entire amount of such allotments for distribution to the beneficiaries, and the allotments and family allowances shall be paid by the bureau to or for the beneficiaries.

SEC. 210. That upon receipt of any application for family allowance the commissioner shall make all proper investigations and shall make an award, on the basis of which award the amount of the allotments to be made by the man shall be certified to the War Department or Navy Department, as may be proper. Whenever the commissioner shall have reason to believe that an allowance has been improperly made or that the conditions have changed, he shall investigate or reinvestigate and may modify the award. The amount of each monthly allotment and allowance shall be determined according to the conditions then existing.

ARTICLE III

COMPENSATION FOR DEATH OR DISABILITY

SEC. 300. That for death or disability resulting from personal injury suffered or disease contracted in the line of duty, by any commissioned officer or enlisted man or by any member of the Army Nurse Corps (female) or of the Navy Nurse Corps (female) when employed in the active service under the War Department or Navy Department, the United States shall pay compensation as hereinafter provided; but no compensation shall be paid if the injury or disease has been caused by his own willful misconduct.

SEC. 301. That if death results from injury—

If the deceased leaves a widow or child, or if he leaves a widowed mother dependent upon him for support, the monthly compensation shall be the following amounts:

- (a) For a widow alone, \$25.
- (b) For a widow and one child, \$35.
- (c) For a widow and two children, \$47.50, with \$5 for each additional child up to two.
- (d) If there be no widow, then for one child, \$20.
- (e) For two children, \$30.
- (f) For three children, \$40, with \$5 for each additional child up to two.
- (g) For a widowed mother, \$20. The amount payable under this subdivision shall not be greater than a sum which, when added to the total amount payable to the widow and children, does not exceed \$75. This compensation shall be payable for the death of but one child, and no compensation for the death of a child shall be payable if such widowed mother is in receipt of compensation under the provisions of this article for the death of her husband. Such compensation shall be payable whether her widowhood arises before or after the death of the person and whenever her condition is such that if the person were living the widowed mother would have been dependent upon him for support.

If the death occur before discharge or resignation from service, the United States shall pay for burial expenses and the return of body to his home a sum not to exceed \$100, as may be fixed by regulations.

The payment of compensation to a widow or widowed mother shall continue until her death or remarriage.

The payment of compensation to or for a child shall continue until such child reaches the age of eighteen years or marries, or if such child be incapable, because of insanity, idiocy or being otherwise permanently helpless, then during such incapacity.

Whenever the compensation payable to or for the benefit of any person under the provisions of this section is terminated by the happening of the contingency upon which it is limited, the compensation thereafter for the remaining beneficiary or beneficiaries, if any, shall be the amount which would have been payable to them if they had been the sole original beneficiaries.

As between the widow and the children not in her custody, and as between

children, the amount of the compensation shall be apportioned as may be prescribed by regulations. The word "widow" as used in this section shall not include one who shall have married the deceased later than ten years after the time of injury.

SEC. 302. That if disability results from the injury—

(1) If and while the disability is total, the monthly compensation shall be the following amounts:

- (a) If he has neither wife nor child living, \$30.
- (b) If he has a wife but no child living, \$45.
- (c) If he has a wife and one child living, \$55.
- (d) If he has a wife and two children living, \$65.
- (e) If he has a wife and three or more children living, \$75.
- (f) If he has no wife but one child living, \$40, with \$10 for each additional child up to two.

(g) If he has a widowed mother dependent on him for support, then, in addition to the above amounts, \$10.

To an injured person who is totally disabled and in addition so helpless as to be in constant need of a nurse or attendant, such additional sum shall be paid, but not exceeding \$20 per month, as the director may deem reasonable: *Provided, however,* That for the loss of both feet or both hands or both eyes, or for becoming totally blind or helpless and permanently bedridden from causes occurring in the line of duty in the service of the United States, the rate of compensation shall be \$100 per month: *Provided further,* That no allowance shall be made for nurse or attendant.

(2) If and while the disability is partial, the monthly compensation shall be a percentage of the compensation that would be payable for his total disability, equal to the degree of the reduction in earning capacity resulting from the disability, but no compensation shall be payable for a reduction in earning capacity rated at less than ten per centum.

A schedule of ratings of reductions in earning capacity from specific injuries or combinations of injuries of a permanent nature shall be adopted and applied by the bureau. Ratings may be as high as one hundred per centum. The ratings shall be based, as far as practicable, upon the average impairments of earning capacity resulting from such injuries in civil occupations and not upon the impairment in earning capacity in each individual case, so that there shall be no reduction in the rate of compensation for individual success in overcoming the handicap of a permanent injury. The bureau shall from time to time readjust this schedule of ratings in accordance with actual experience.

(3) In addition to the compensation above provided, the injured person shall be furnished by the United States such reasonable governmental medical, surgical, and hospital services and with such supplies, including artificial limbs, trusses, and similar appliances, as the director may determine to be useful and reasonably necessary: *Provided,* That nothing in this Act shall be construed to affect the necessary military control over any member of the military or naval establishments before he shall have been discharged from the military or naval service.

(4) The amount of each monthly payment shall be determined according to the family conditions then existing.

SEC. 303. That every person applying for or in receipt of compensation for disability under the provisions of this article shall, as frequently and at such times and places as may be reasonably required, submit himself to examination by a medical officer of the United States or by a duly qualified physician designated or approved by the director. He may have a duly qualified physician designated and paid by him present to participate in such examination. For all examinations he shall, in the discretion of the director, be paid his reasonable traveling and other expenses and also loss of wages incurred in order to submit to such examination. If he refuses to submit himself for, or in any way obstructs, any examination, his right to claim compensation under this article shall be suspended until such refusal or obstruction ceases. No compensation shall be payable while such refusal or obstruction continues, and no compensation shall be payable for the intervening period.

Every person in receipt of compensation for disability shall submit to any reasonable medical or surgical treatment furnished by the bureau whenever requested by the bureau; and the consequences of unreasonable refusal to submit to any such treatment shall not be deemed to result from the injury compensated for.

SEC. 304. That in cases of dismemberment, of injuries to sight or hearing, and of other injuries commonly causing permanent disability, the injured person shall follow such course or courses of rehabilitation, reeducation and vocational training as the United States may provide or procure to be provided. Should such course prevent the injured person from following a substantially gainful occupation while taking same, a form of enlistment may be required which shall bring the injured person into the military or naval service. Such enlistment shall entitle the person to full pay as during the last month of his active service, and his family to family allowances and allotment as hereinbefore provided, in lieu of all other compensation for the time being.

In case of his willful failure properly to follow such course or so to enlist, payment of compensation shall be suspended until such willful failure ceases, and no compensation shall be payable for the intervening period.

SEC. 305. That upon its own motion or upon application the bureau may at any time review an award, and, in accordance with the facts found upon such review, may end, diminish, or increase the compensation previously awarded, or, if compensation has been refused or discontinued, may award compensation.

SEC. 306. That no compensation shall be payable for death or disability which does not occur prior to or within one year after discharge or resignation from the service, except that where, after a medical examination made pursuant to regulations, at the time of discharge or resignation from the service, or within such reasonable time thereafter, not exceeding one year, as may be allowed by regulations, a certificate has been obtained from the director to the effect that the injured person at the time of his dis-

charge or resignation was suffering from injury likely to result in death or disability, compensation shall be payable for death or disability, whenever occurring, proximately resulting from such injury.

SEC. 307. That compensation shall not be payable for death in the course of the service until the death be officially recorded in the department under which he may be serving. No compensation shall be payable for a period during which the man has been reported "missing" and a family allowance has been paid for him under the provisions of Article 11.

SEC. 308. That no compensation shall be payable for death inflicted as a lawful punishment for a crime or military offense except when inflicted by the enemy. A dismissal or dishonorable or bad conduct discharge from the service shall bar and terminate all right to any compensation under the provisions of this article.

SEC. 309. That no compensation shall be payable unless a claim therefor be filed, in case of disability, within five years after discharge or resignation from the service, or, in case of death during the service, within five years after such death is officially recorded in the department under which he may be serving: *Provided, however,* That where compensation is payable for death or disability occurring after discharge or resignation from the service, claim must be made within five years after such death or the beginning of such disability.

The time herein provided may be extended by the director not to exceed one year for good cause shown. If at the time that any right accrues to any person under the provisions of this article, such person is a minor, or is of unsound mind or physically unable to make a claim, the time herein provided shall not begin to run until such disability ceases.

SEC. 310. That no compensation shall be payable for any period more than two years prior to the date of claim therefor, nor shall increased compensation be awarded to revert back more than one year prior to the date of claim therefor.

SEC. 311. That compensation under this article shall not be assignable, and shall be exempt from attachment and execution and from all taxation.

SEC. 312. That compensation under this article shall not be paid while the person is in receipt of service or retirement pay. The laws providing for gratuities or payments in the event of death in the service and existing pension laws shall not be applicable after the enactment of this amendment to persons now in or hereafter entering the military or naval service, or to their widows, children or their dependents, except in so far as rights under any such law shall have heretofore accrued.

Compensation because of disability or death of members of the Army Nurse Corps (female) or of the Navy Nurse Corps (female) shall be in lieu of any compensation for such disability or death under the Act entitled "An Act to provide compensation for employees of the United States suffering injuries while in the performance of their duties, and for other purposes," approved September seventh, nineteen hundred and sixteen.

SEC. 313. That if an injury or death for which compensation is payable under this amendatory Act is caused under circumstances creating a legal

liability upon some person other than the United States or the enemy to pay damages therefor, the director, as a condition to payment of compensation by the United States, shall require the beneficiary to assign to the United States any right of action he may have to enforce such liability of such other person or any right which he may have to share in any money or other property received in satisfaction of such liability of such other person. The cause of action so assigned to the United States may be prosecuted or compromised by the director and any money realized thereon shall be placed to the credit of the compensation fund.

SEC. 314. That from and after the passage of this Act the rate of pension for a widow of an officer or enlisted man of the Army, Navy, or Marine Corps of the United States who served in the Civil War, the War with Spain or the Philippine Insurrection, now on the pension roll or hereafter to be placed on the pension roll, and entitled to receive a less rate than hereinafter provided, shall be \$25 per month; and nothing herein shall be construed to affect the additional allowance provided by existing pension laws on account of a helpless child or child under sixteen years of age: *Provided, however,* That this Act shall not be so construed as to reduce any pension under any Act, public or private: *And provided further,* That the provisions of this section shall be administered, executed, and enforced by the Commissioner of Pensions.

ARTICLE IV

INSURANCE

SEC. 400. That in order to give to every commissioned officer and enlisted man and to every member of the Army Nurse Corps (female) and of the Navy Nurse Corps (female) when employed in active service under the War Department or Navy Department greater protection for themselves and their dependents than is provided in Article III, the United States, upon application to the bureau and without medical examination, shall grant insurance against the death or total permanent disability of any such person in any multiple of \$500, and not less than \$1000 or more than \$10,000, upon the payment of the premiums as hereinafter provided.

SEC. 401. That such insurance must be applied for within one hundred and twenty days after enlistment or after entrance into or employment in the active service and before discharge or resignation, except that those persons who are in the active war service at the time of the publication of the terms and conditions of such contract of insurance may apply at any time within one hundred and twenty days thereafter and while in such service. Any person in the active service on or after the sixth day of April, nineteen hundred and seventeen, who, while in such service and before the expiration of one hundred and twenty days from and after such publication, becomes or has become totally and permanently disabled or dies, or has died, without having applied for insurance, shall be deemed to have applied for and to have been granted insurance, payable to such person during his life in monthly install-

ments of \$25 each. If he shall die either before he shall have received any of such monthly installments or before he shall have received two hundred and forty of such monthly installments, then \$25 per month shall be paid to his wife from the time of his death and during her widowhood, or to his child, or widowed mother if and while they survive him: *Provided, however,* That not more than two hundred and forty of such monthly installments, including those received by such person during his total and permanent disability, shall be so paid; and in that event the amount of the monthly installments shall be apportioned between them as may be provided by regulations.

SEC. 402. That the director, subject to the general direction of the Secretary of the Treasury, shall promptly determine upon and publish the full and exact terms and conditions of such contract of insurance. The insurance shall not be assignable, and shall not be subject to the claims of creditors of the insured or of the beneficiary. It shall be payable only to a spouse, child, grandchild, parent, brother or sister, and also during total and permanent disability to the injured person, or to any or all of them. The insurance shall be payable in two hundred and forty equal monthly installments. Provisions for maturity at certain ages, for continuous installments during the life of the insured or beneficiaries, or both, for cash, loan, paid-up and extended values, dividends from gains and savings, and such other provisions for the protection and advantage of and for alternative benefits to the insured and the beneficiaries as may be found to be reasonable and practicable, may be provided for in the contract of insurance, or from time to time by regulations. All calculations shall be based upon the American Experience Table of Mortality and interest at three and one-half per centum per annum, except that no deduction shall be made for continuous installments during the life of the insured in case his total and permanent disability continues more than two hundred and forty months. Subject to regulations, the insured shall at all times have the right to change the beneficiary or beneficiaries of such insurance without the consent of such beneficiary or beneficiaries, but only within the classes herein provided. If no beneficiary within the permitted class be designated by the insured, either in his lifetime or by his last will and testament, or if the designated beneficiary does not survive the insured, the insurance shall be payable to such person or persons, within the permitted class of beneficiaries as would under the laws of the State of the residence of the insured, be entitled to his personal property in case of intestacy. If no such person survive the insured, then there shall be paid to the estate of the insured an amount equal to the reserve value, if any, of the insurance at the time of his death, calculated on the basis of the American Experience Table of Mortality and three and one-half per centum interest in full of all obligations under the contract of insurance.

SEC. 403. That the United States shall bear the expenses of administration and the excess mortality and disability cost resulting from the hazards of war. The premium rates shall be the net rates based upon the American Experience Table of Mortality and interest at three and one-half per centum per annum.

SEC. 404. That during the period of war and thereafter until converted

the insurance shall be term insurance for successive terms of one year each. Not later than five years after the date of the termination of the war as declared by proclamation of the President of the United States, the term insurance shall be converted, without medical examination, into such form or forms of insurance as may be prescribed by regulations and as the insured may request. Regulations shall provide for the right to convert into ordinary life, twenty payment life, endowment maturing at age sixty-two and into other usual forms of insurance and shall prescribe the time and method of payment of the premiums thereon, but payments of premiums in advance shall not be required for periods of more than one month each and may be deducted from the pay or deposit of the insured or be otherwise made at his election.

SEC. 405. That in the event of disagreement as to a claim under the contract of insurance between the bureau and any beneficiary or beneficiaries thereunder, an action on the claim may be brought against the United States in the district court of the United States in and for the district in which such beneficiaries or any one of them resides. The court, as part of its judgment, shall determine and allow such reasonable attorney's fees, not to exceed ten per centum of the amount recovered, to be paid by the claimant on behalf of whom such proceedings are instituted to his attorney; and it shall be unlawful for the attorney or for any other person acting as claim agent or otherwise to ask for, contract for, or receive any other compensation because of such action. No other compensation or fee shall be charged or received by any person except such as may be authorized by the commissioner in regulations to be promulgated by him. Any person violating the provisions of this section shall be deemed guilty of a misdemeanor, and upon conviction thereof shall, for each and every such offense, be fined not exceeding \$500, or be imprisoned at hard labor not exceeding two years, or both, in the discretion of the court.

SEC. 3. That section eight of the Act entitled "An Act to authorize the President to increase temporarily the Military Establishment of the United States," approved May eighteenth, nineteen hundred and seventeen, shall be held and construed to authorize the President, in accordance with the provisions of said Act and for the period of the existing emergency only, to appoint as generals the Chief of Staff and the commander of the United States forces in France; and as lieutenant general each commander of an army or army corps organized as authorized by existing law: *Provided*, That the pay of the grades of general and lieutenant general shall be \$10,000 and \$9000 a year, respectively, with allowances appropriate to said grades as determined by the Secretary of War: *And provided*, That brigadier generals of the Army shall hereafter rank relatively with rear admirals of the lower half of the grade. And, hereafter, the chief of any existing staff corps, department, or bureau, except as is otherwise provided for the Chief of Staff, shall have the rank, pay, and allowances of major general.

Approved, October 6, 1917.

APPENDIX D

Application for Vessel Insurance (Time)

THE UNITED STATES OF AMERICA
TREASURY DEPARTMENT
Bureau of War Risk Insurance
WASHINGTON, D. C.

INSURANCE IS LIMITED TO AMERICAN VESSELS AGAINST
THE RISKS OF WAR ONLY

THIS APPLICATION IS FOR WAR RISK INSURANCE COVERING
COASTWISE TRADE BETWEEN PORTS OF THE UNITED
STATES ONLY, AND FOR A PERIOD OF THIRTY DAYS

Owner

VESSEL	VALUATION	SUM INSURED	RATE	PREMIUM
At and from noon (Washington time)				
to noon (Washington time)				

Application is made for insurance against war risks on the form of policy issued by the Bureau of War Risk Insurance, the following special conditions being imposed, which may not be changed except under signature of the Director of the Bureau of War Risk Insurance:

- A. The valuation of the vessel shall be as agreed with the Bureau.
- B. If any marine insurance is in force, particulars of one policy shall be filled in on the back of this application.
- C. Quotations made are subject to acceptance and filing of application and certified check (made payable to Treasurer of the United States) within forty-eight hours.
- D. Warranted that the vessel will sail within fifteen days from the date of this application; or, failing sailing within fifteen days, that if an additional premium is required by the Bureau based on its then current rates, it will be paid.
- E. The policy of the Bureau contains the following clauses:

Warranted that the vessel shall not start on a voyage if ordered not to do so by the United States of America, and free from claim for loss, damage, or expense consequent upon obeying such orders.

Warranted that the vessel shall comply, so far as possible, with the orders of the United States of America as to routes, ports of call, and stoppages.

It is necessary that the vessel owners should apply for orders to the Commandant of the Naval District of the port from which the vessel is to sail.

A list of the Naval Districts of the United States and the addresses of the Commandants of those districts will be found on the back of this application.

F. Warranted confined to.....

.....

Expected date of sailing.....

.....

Applicant.

Dated....., 191

Application for Cargo Insurance

From Collector of Customs at.....

THE UNITED STATES OF AMERICA

TREASURY DEPARTMENT

Bureau of War Risk Insurance

WASHINGTON, D. C.

Insurance is limited to cargoes on American vessels against the risks of war only and may only be effected when the marine risks of the said cargo are insured by approved insurance companies or underwriters.

Insurance is wanted by	DESCRIPTION OF MERCHANDISE (Include marks and numbers)	MARINE INSUR- ANCE CARRIED	
For account of		Company	Amount
Per vessel	of line or owner.	MERCHANDISE Valued at	Amt. insured
		Rate	Premium
At and from		to	

Application is made for insurance against war risks on the form of policy issued by the Bureau of War Risk Insurance, the following special conditions being imposed, which conditions may not be changed except under signature of the Director of the Bureau of War Risk Insurance:

A. Quotations made are subject to acceptance and filing of application and certified check (made payable to Treasurer of the United States) within forty-eight hours.

B. Warranted that the vessel will sail within fifteen days from the date of this application; or, failing sailing within fifteen days, that if an additional premium is required by the Bureau based on its then current rates, it will be paid.

C. The amount insured against war risks can not under any circumstances exceed the amount insured against marine risks. If the applicant is unable to state definitely the amount to be insured he shall declare a provisional amount, which may not be increased, but which may be reduced upon receipt of definite advice, to an amount not less than the total amount insured under marine policies. Premium shall be paid on this provisional amount, and if the amount is reduced when final particulars are known the excess of such premium will be returned to the assured by the Treasury Department of the United States Government.

D. Warranted free from claim for loss, damage, or expense consequent upon any prohibition of importation (existing at the time of loading) of the country to which the goods or merchandise herein are insured.

Expected date of sailing.....

..... Applicant.

Dated....., 191

Application for Freight Insurance

THE UNITED STATES OF AMERICA
TREASURY DEPARTMENT
Bureau of War Risk Insurance
WASHINGTON, D. C.

INSURANCE IS LIMITED TO FREIGHT OF AMERICAN VESSELS
AGAINST THE RISKS OF WAR ONLY

RATES WILL BE QUOTED FOR A VOYAGE ONLY

Owner			
VESSEL	SUM INSURED	RATE	PREMIUM
Voyage, at and from.....			
to			

Application is made for insurance against war risks on the form of policy issued by the Bureau of War Risk Insurance, the following special conditions being imposed, which may not be changed except under signature of the Director of the Bureau of War Risk Insurance:

A. The insurance shall not exceed the amount of the steamer's freight collectible at destination, plus advances by the insured which are collectible at destination from consignees or owners of the goods.

B. Quotations made are subject to acceptance and filing application and certified check (made payable to Treasurer of the United States) within forty-eight hours.

C. Warranted that the vessel will sail within fifteen days from the date of this application; or, failing sailing within fifteen days, that if an additional premium is required by the Bureau based on its then current rates, it will be paid.

D. Warranted free from claim for loss, damage, or expense consequent upon any prohibition of importation (existing at the time of loading) of the country to which the goods or merchandise herein are insured.

Expected date of sailing.....

.....
Applicant.

Dated....., 191

APPLICATION CREW, FORM 15

SHEET 1, No. 5 A

THE UNITED STATES OF AMERICA
TREASURY DEPARTMENT
Bureau of War Risk Insurance
WASHINGTON, D. C.

1. Application is made for insurance on the Bureau's form of policy of the master, officers, and crew of the American S.....
called the....., during a voyage at and
from
to
sailing about....., 191 , against loss of life and
personal injury by the risks of war and for compensation if detained by an
enemy of the United States.

2. On the following pages is a certified statement showing the names, nationality, and addresses of the master, officers, and crew, and setting forth the position occupied by each, the wages (including bonus) paid each man per month, and the amount of insurance wanted for each man in accord-

ance with the act of Congress approved September 2, 1914, as amended June 12, 1917.

3. The total amount of insurance required is.....
 dollars (\$.....), which at a
 premium of..... per cent (%) equals.....
dollars (\$.....), for
 which a certified check to the order of the Treasurer of the United States
 is inclosed.

4. Attached hereto are orders for payment of compensation
 in event of detention by an enemy of the United States following
 capture.

5. In the event of a deviation or change of voyage an additional premium
 shall be paid if required by the Bureau.

....., *Applicant.*

Dated....., 1917.

FORM 16

No. 6 A

Policy No. S. I., _____

THE UNITED STATES OF AMERICA
 TREASURY DEPARTMENT
Bureau of War Risk Insurance
 WASHINGTON, D. C.

Does hereby insure
 for account of the master, officers, and crew of the American Vessel called
 the
 during a voyage at and from
 to sailing
 about during their employment on or
 by said vessel for the period of the aforesaid voyage, beginning, in respect
 to each person insured, from the time such person signs the articles for the
 aforesaid voyage, or, if already on articles for a series of voyages or period
 of time, from the inception of the aforesaid voyage (i. e., when the vessel is
 ready to begin the loading of cargo for the aforesaid voyage or to sail in
 ballast) and continuing until such person is discharged or the termination of
 the aforesaid voyage (i. e., when the vessel is ready to begin the loading of
 cargo for another voyage or to sail in ballast), whichever may first occur
 for..... dollars.

In case of claim, to be paid in funds current in the United States.

Against loss of life and personal injury to the master, officers, and crew
 by the risks of war, but only to the extent specified in the following
 schedules:

[illegible]

Dollars.

In case of loss, to be paid in funds current in the United States of America.

Upon the Hull, Machinery, Boilers, Equipment, Stores and everything connected therewith of and in the American Vessel called the..... or by whatsoever other name or names the said vessel is or shall be named or called, beginning the adventure upon the said vessel, etc., as above, and shall so continue and endure during the period as aforesaid. If on a passage at the expiration of the term, the risk to continue at pro rata premium until the arrival of the vessel at a safe port, and her being moored therein twenty-four hours in good safety, but warranted notice be given the Bureau of War Risk Insurance as soon as known to the insured and the additional premium required by the Bureau paid. And it shall be lawful for the said vessel, etc., to proceed and sail to and touch and stay at any ports or places whatsoever and wheresoever, excepting as hereinafter provided without prejudice to this insurance. The said vessel, etc., for so much as concerns the insured, by agreement between the insured and insurer in this Policy, are and shall be valued at \$.....

Touching the adventures and perils which the insurer is content to bear and does take upon itself, they are of men-of-war, letters of marque and countermarque, surprisals, takings at sea, arrests, restraints and detentions of all kings, princes and people of what nation, condition, or quality soever, except of the United States of America and of the nations engaged in war with the enemies of the United States of America, and all consequences of hostilities or war-like operations except of the United States of America, and of the nations engaged in war with the enemies of the United States of America, whether before or after the declaration of war, and of mines.

And in case of any loss or misfortune, it shall be lawful to the insured, their factors, servants and assigns, to sue, labor and travel for, in and about the defense, safeguard and recovery of the said vessel, etc., or any part thereof, without prejudice to this insurance, to the charges whereof the insurer will contribute according to the rate and quantity of the sum herein insured. And it is especially declared and agreed that no acts of the insurer or insured in recovering, saving, or preserving the property insured, shall be considered as a waiver or acceptance of abandonment; having been paid the consideration for this insurance, by the insured or.....assigns, at and after the rate of.....per cent.

PREMIUM

In case of an iron or steel vessel average payable without deduction of new for old.

Warranted free from any claim for interest or damage by deterioration due to delay.

Warranted no ownership by enemies or their allies and no trading with enemies or their allies or with the country of or occupied by enemies or their allies during the period of this insurance.

Warranted that the vessel shall not start on a voyage if ordered not to do so by the United States of America, and free from claim for loss, damage, or expense consequent upon obeying such orders.

Warranted that the vessel shall comply, so far as possible, with the orders of the United States of America as to routes, ports of call, and stoppages.

Warranted that if in an enemy port, the vessel shall leave within the days of grace allowed by the enemy and shall comply with the terms of any pass granted by the enemy.

Warranted by the assured that the vessel insured hereunder shall not enter or leave, or attempt to enter or leave, any port which is known to be blockaded by the Powers at War.

Warranted not to abandon in case of blockade and free from loss arising from any attempt to evade blockade, but in the event of blockade, to be at liberty to proceed to an open port and there end the voyage.

In the event of loss and claim, prompt notice should be given the Bureau of War Risk Insurance. Claims will be paid within thirty days after complete proofs of interest and loss have been filed with the Bureau.

This insurance is subject to the warranties and conditions of the application.

IN WITNESS WHEREOF, The United States of America has caused this policy to be signed by its Secretary of the Treasury, but it shall not be valid until countersigned by William C. De Lanoy, Director of the Bureau of War Risk Insurance.

W. G. McADOO,
SECRETARY.

Countersigned at Washington, D. C., this——day of——, 191

DIRECTOR.

No. 6, VOYAGE

No. 262

THE UNITED STATES OF AMERICA
 TREASURY DEPARTMENT
Bureau of War Risk Insurance
 WASHINGTON, D. C.

_____ on account of whom
 it may concern.

Do make insurance and cause to
 be insured at and from

SUM INSURED

_____ Dollars.
 In case of loss, to be paid in funds current in the
 United States of America.

Upon the Hull, Machinery, Boilers, Equipment, Stores and everything connected therewith of and in the American Vessel called the..... or by whatsoever other name or names the said vessel is or shall be named or called, beginning the adventure on the said vessel, etc., as above, and shall so continue and endure until the said vessel, etc., shall be arrived at as above and the goods and merchandise on board be there discharged and safely landed or if in ballast until she be arrived at as above and until she has moored and anchored twenty-four hours in good safety. The said vessel, etc., for so much as concerns the insured, by agreement between the insured and insurer in this Policy, are and shall be valued at \$.....

Touching the adventures and perils which the insurer is content to bear and does take upon itself, they are of men-of-war, letters of marque and countermarque, surprisals, takings at sea, arrests, restraints and detainerments of all kings, princes, and people of what nation, condition, or quality soever, except of the United States of America and of the nations engaged in war with the enemies of the United States of America, and all consequences of hostilities or war-like operations except of the United States of America, and of the nations engaged in war with the enemies of the United States of America, whether before or after the declaration of war, and of mines.

PREMIUM

And in case of any loss or misfortune, it shall be lawful to the insured, their factors, servants and assigns, to sue, labor and travel for, in and about the defense, safeguard, and recovery of the said vessel, etc., or any part thereof,

without prejudice to this insurance, to the charges whereof the insurer will contribute according to the rate and quantity of the sum herein insured. And it is especially declared and agreed that no acts of the insurer or insured in recovering, saving, or preserving the property insured, shall be considered as a waiver or acceptance of abandonment; having been paid the consideration for this insurance, by the insured or.....assigns, at and after the rate of.....per cent.

In the case of an iron or steel vessel average payable without deduction of new for old.

Warranted free from any claim for interest or damage by deterioration due to delay.

Warranted no ownership by enemies or their allies and no trading with enemies or their allies or with the country of or occupied by enemies or their allies during the period of this insurance.

Warranted that the vessel shall not start on a voyage if ordered not to do so by the United States of America, and free from claim for loss, damage, or expense consequent upon obeying such orders.

Warranted that the vessel shall comply, so far as possible, with the orders of the United States of America as to routes, ports of call, and stoppages.

Warranted that if in an enemy port, the vessel shall leave within the days of grace allowed by the enemy and shall comply with the terms of any pass granted by the enemy.

Warranted that the vessel insured hereunder shall not enter or leave, or attempt to enter or leave, any port which is known to be blockaded by the Powers at War.

Warranted not to abandon in case of blockade and free from loss arising from an attempt to evade blockade, but in the event of blockade, to be at liberty to proceed to an open port and there end the voyage.

It is agreed that this insurance shall not be vitiated by a deviation from the voyage provided the same be communicated to the Bureau of War Risk Insurance as soon as known to the insured and an additional premium paid if required.

In the event of loss and claim, prompt notice should be given the Bureau of War Risk Insurance. Claims will be paid within thirty days after complete proofs of interest and loss have been filed with the Bureau.

This insurance is subject to the warranties and conditions of the application.

IN WITNESS WHEREOF, The United States of America has caused this policy to be signed by its Secretary of the Treasury, but it shall not be valid until countersigned by

William C. De Lanoy, Director of the Bureau of War
Risk Insurance.

W. G. McAdoo,
SECRETARY.

Countersigned at Washington, D. C., this _____ day of _____, 191

DIRECTOR.

CARGO

No. _____

THE UNITED STATES OF AMERICA
TREASURY DEPARTMENT
Bureau of War Risk Insurance
WASHINGTON, D. C.

_____ on account of whom
it may concern.

Do make insurance and cause to
be insured at and from

SUM INSURED

_____ Dollars.

In case of loss, to be paid in funds current in the
United States of America.

Upon
per the American Vessel called the
.....
or by whatsoever other name or names the said vessel is
or shall be named or called, beginning the adventure upon
the said goods and merchandise from the loading thereof
on board the said vessel as above, and shall so continue and
endure during her abode there and until the vessel with her
goods and merchandise shall be arrived at as above and be
there discharged and safely landed. The said cargo, for so
much as concerns the insured, by agreement between the
insured and the insurer in this Policy, is and shall be
valued at \$.....

Touching the adventures and perils which the insurer is
content to bear and does take upon itself, they are of men-
of-war, letters of marque and countermarque, surprisals,
takings at sea, arrests, restraints and detainments of all
kings, princes, and people of what nation, condition, or
quality soever, except of the United States of America and
of the nations engaged in war with the enemies of the
United States of America, and all consequences of hostilities
or war-like operations except of the United States of

PREMIUM

America, and of the nations engaged in war with the enemies of the United States of America, whether before or after the declaration of war, and of mines.

And in case of any loss or misfortune, it shall be lawful to the insured, their factors, servants, and assigns, to sue, labor and travel for, in and about the defense, safeguard, and recovery of the said goods and merchandise, or any part thereof, without prejudice to this insurance, to the charges whereof the insurer will contribute according to the rate and quantity of the sum herein insured. And it is especially declared and agreed that no acts of the insurer or insured in recovering, saving, or preserving the property insured, shall be considered as a waiver or acceptance of abandonment; having been paid the consideration for this insurance, by the insured or.....assigns, at and after the rate of.....per cent.

Warranted free from any claim for interest, loss of market, or damage by deterioration due to delay.

Warranted no ownership by enemies or their allies and no trading with enemies or their allies or with the country of or occupied by enemies or their allies during the period of this insurance.

Warranted not to abandon in case of blockade and free from loss arising from an attempt to evade blockade, but in the event of blockade, to be at liberty to proceed to an open port and there end the voyage.

It is agreed that this insurance shall not be vitiated by a deviation from the voyage provided the same be communicated to the Bureau of War Risk Insurance as soon as known to the insured and an additional premium paid if required.

In the event of loss and claim, prompt notice should be given the Bureau of War Risk Insurance. Claims will be paid within thirty days after complete proofs of interest and loss have been filed with the Bureau.

This insurance is subject to the warranties and conditions of the application.

IN WITNESS WHEREOF, The United States of America has caused this policy to be signed by its Secretary of the Treasury, but it shall not be valid until countersigned by William C. De Lanoy, Director of the Bureau of War Risk Insurance.

W. G. McADOO,
SECRETARY.

Countersigned at Washington, D. C., this——day of——, 191

DIRECTOR.

No. 8, FREIGHT

No. _____

THE UNITED STATES OF AMERICA
TREASURY DEPARTMENT
Bureau of War Risk Insurance
WASHINGTON, D. C.

_____ on account of whom
it may concern.

Do make insurance and cause to
be insured at and from

SUM INSURED

Dollars.

In case of loss, to be paid in funds current in the
United States of America.

Upon the Freight of the American Vessel called the

.....
or by whatsoever other name or names the said vessel is
or shall be named or called, beginning the adventure upon
the said freight from the loading of the goods and mer-
chandise on board the said vessel as above, and shall so
continue and endure during her abode there and until the
vessel with her goods and merchandise shall be arrived at
as above and be there discharged and safely landed, but no
risk to attach on shore.

Touching the adventures and perils which the insurer is
content to bear and does take upon itself, they are of men-
of-war, letters of marque and countermarque, surprisals,
takings at sea, arrests, restraints and detainments of all
kings, princes, and people of what nation, condition, or
quality soever, except of the United States of America and
of the nations engaged in war with the enemies of the
United States of America, and all consequences of hostilities
or war-like operations except of the United States of
America, and of the nations engaged in war with the enemies
of the United States of America, whether before or after
the declaration of war, and of mines.

PREMIUM

And in case of any loss or misfortune, it shall be lawful
to the insured, their factors, servants and assigns, to sue,
labor and travel for, in and about the defense, safeguard,
and recovery of the said freight, or any part thereof,
without prejudice to this insurance, to the charges whereof
the insurer will contribute according to the rate and quantity
of the sum herein insured. And it is especially declared and
agreed that no acts of the insurer or insured in recovering,
saving, or preserving the property insured, shall be consid-
ered as a waiver or acceptance of abandonment; having been
paid the consideration for this insurance, by the insured
or.....assigns, at and after the rate of.....per cent.

Warranted free from any claim for interest or damage due to delay.

Warranted by the insured free from claim consequent upon loss of time whether arising from a peril insured against or not.

Warranted no ownership by enemies or their allies and no trading with enemies or their allies or with the country of or occupied by enemies or their allies during the period of this insurance.

Warranted that the vessel shall not start on a voyage if ordered not to do so by the United States of America, and free from claim for loss, damage, or expense consequent upon obeying such orders.

Warranted that the vessel shall comply, so far as possible, with the orders of the United States of America as to routes, ports of call, and stoppages.

Warranted that if in an enemy port, the vessel shall leave within the days of grace allowed by the enemy and shall comply with the terms of any pass granted by the enemy.

Warranted and agreed that the vessel, the freight of which is insured hereunder, shall not enter or leave, or attempt to enter or leave, any port which is known to be blockaded by the Powers at War.

Warranted not to abandon in case of blockade and free from loss arising from any attempt to evade blockade, but in the event of blockade, to be at liberty to proceed to an open port and there end the voyage.

It is agreed that this insurance shall not be vitiated by a deviation from the voyage provided the same be communicated to the Bureau of War Risk Insurance as soon as known to the insured and an additional premium paid if required.

In the event of loss and claim, prompt notice should be given the Bureau of War Risk Insurance. Claims will be paid within thirty days after complete proofs of interest and loss have been filed with the Bureau.

This insurance is subject to the warranties and conditions of the application.

IN WITNESS WHEREOF, The United States of America has caused this policy to be signed by its Secretary of the Treasury, but it shall not be valid until countersigned by William C. De Lanoy, Director of the Bureau of War Risk Insurance.

W. G. McADOO,
SECRETARY.

Countersigned at Washington, D. C., this——day of——, 191

DIRECTOR.

APPENDIX E

Forms of Policies Used in Great Britain in the Agreement Between the Government and Insurance Companies

FORMS OF POLICY IN CONNECTION WITH THE INSURANCE OF HULLS

(Note) In order to show how the scheme would work, the following forms are appended. The forms of original Policy to be issued by the Association are inserted by way of illustration and are not intended to be a form which in all respects must be rigidly adhered to. Certain essential elements which are necessary for the protection of the state, must appear in all the original policies, but in other respects it is anticipated that each Association will insert in such policies such stipulations as are prescribed by its own rules.

SCHEDULE I

Standard Form of Policy to be issued by the Association.

The Association.
Be it Known that.....own name
as well in.....own name, as for and in the name and
names of all and every other person or persons to whom the same doth,
may or shall appertain in part or in all, doth, subject to the provisions
hereinafter contained and referred to, make assurance and cause them and
every one of them to be insured lost or not lost, for and during the period
from.....to....., both days inclusive, beginning and
ending with Greenwich mean time. In port and at sea, at all times, in all
places and on all occasions, services and trades whatsoever and wheresoever,
under steam, or sail, with leave to sail with or without pilots, to tow and
assist vessels or craft in all situations and to be towed.

Upon the Body, Tackle, Apparel, Ordnance, Munition, Artillery, Boat
and other Furniture, of and in the good Ship or vessel called the
.....
whereof is Master under God,
or whosoever else shall go for Master in the said Ship or by whatsoever
other name or names the same ship, or the Master thereof, is or shall be
named or called in the sum of.....£
on Hull, Materials, Machinery Boilers valued at.....£

Touching the adventures and perils which we the Assurers are contented
to bear and to take upon us, they are of the Seas, men-of-war, fire, enemies,
pirates, robbers, thieves, jettisons, letters of Mart and Countermart, Sur-

prisals, Takings at Sea, arrests, restraints and detainments of all Kings, Princes and people of what nature, condition or quality soever, Barratry of the Master and Mariners, and of all other Perils, Losses and Misfortunes that have or shall come to the Hurt, Detriment or Damage of the said Ship, etc., or any part thereof; and in case of any Loss or Misfortune, it shall be lawful to the assured, their Factors, servants and assigns, to sue, labor and travel for, in and about the Defense, Safeguard and Recovery of the said Ship, etc., or any part thereof without Prejudice to this insurance; to the charges whereof we, the insurers will contribute. And it is especially declared and agreed that no acts of the insurer or insured in recovering, saving or preserving the property insured shall be considered as a waiver or acceptance of abandonment. And it is agreed by us the Insurers, that this writing or Policy of Assurance shall be as much Force and Effect as the surest writing or Policy of Assurance heretofore made in Lamb Street or in the Royal Exchange or elsewhere in London.

And so we, the Insurers, are contented, do hereby promise, and bind ourselves each one for his own Part, our Heirs, Executors, and Goods, to the Assured, their Executors, Administrators, and Assigns, for the true Performances of the Premises, it being agreed that the Assured, shall in consideration thereof, pay to us The _____ Association (hereinafter called the Association) the premium and entrance fee in accordance with Article _____ of the Articles of Association of the Association, and shall, if and when the same become payable further pay all the sums and contributions which the Association shall become entitled to call upon the Assured, as a member or members of the Association, to pay to the Association according to the Articles of Association for the time being in force.

NOTE 1. It is further agreed that if the ship hereby insured should be captured or seized and shall, while such capture or seizure is maintained, come into collision with any other ship or vessel, and the assured shall in consequence thereof become liable to pay and shall pay by way of damages to any other person or persons any sum or sums not exceeding the respect of any one such collision, the value of the ship hereby insured and such liability would not be recoverable under the policies and protection referred to in clause 10 hereof, the Association will pay the assured such proportion of three-fourths of such sum or sums so paid as its subscription hereto bears to the value of the ship hereby insured, and in case in which the liability of the ship has been contested or proceedings have been taken to limit liability with the consent of writing of the Association, the Association will also pay a like proportion of three-fourths of the costs which the assured shall thereby incur or be compelled to pay, but when both vessels are to blame, then unless the liability of the owners of one or both of such vessels becomes cross liabilities as of the owners of each vessel have been compelled to pay to the owners of the other vessels such a one-half or such proportion of the latter's damages as may have been properly allowed in ascertaining the balance of sum payable by or to the assured in consequence of such collisions. Provided always that this clause shall in no case extend to any sum which the assured may become liable to pay, or shall pay for removal of obstructions under statutory powers, for injury to harbors, wharves, piers and similar structures, consequent on such collision or in respect to the cargo or engagements of the insured vessel or for loss of life or personal injury.

(1) This Policy is subject to the Articles of Association (note 2)¹ for the time being in force of the Association.

(2) This Insurance is only to cover (note 3) the following risks, namely: (a) the risks of capture, seizure and detainment by the King's enemies and the consequences thereof, or any attempt thereat, and all consequences of hostilities or war-like operations by or against the King's enemies, whether before or after declaration of war, and (b) The risks (other than risks to capture, seizure or detainment by the King's enemies and the consequences thereof or any attempt thereat or the consequences of hostilities or war-like operations by or against the King's enemies) of (note 4), but this Insurance shall not be subject to a three per cent, or other franchise (note 3).

Average payable without deduction of thirds, new for old, whether the average be particular or general (note 6).

General Average and salvage to be adjusted according to the law and practice obtaining at the place where the adventure ends, as if the contract of affreightment contained no special terms upon the subject; or if the contract of affreightment so provides, according to York-Antwerp Rules, or in the case of wood cargoes, York-Antwerp Rules omitting the first word of rule 1 ("no") (note 7).

(3) In Respect of the Risks Mentioned in clause (2a) this insurance shall, notwithstanding that the period of this insurance has not expired, apply to the following extent and no further, and shall to the like extent continue to apply notwithstanding that the period of this insurance has expired, namely:—

(a) If the ship, at the time when war is declared or hostilities are begun by or against the King's enemies, is on a voyage to a British or friendly or neutral port or ports with cargo or passengers, she shall be held covered until her arrival at the port, or if more than one, the last of the ports for which she has on board cargo or passengers shipped before war was declared or hostilities were begun, and while in such port for ten clear days after arrival, provided that if such port is not a safe port for her to lie in, or is a friendly port, or, being a neutral port ceases to be neutral before the expiration of ten clear days after arrival, she shall be further held covered until her arrival at a British port which is a safe port for her to lie in, or at a neutral port which is a safe port for her to lie in, and which for ten clear days after her arrival continues to be neutral, and while in such port for ten clear days after arrival.

(b) If the ship, at the time when war is declared or hostilities are begun by or against the King's enemies, is on a voyage to a British or friendly or neutral port in ballast, she shall be held covered until her arrival at the port to which she, at the time when war is declared or hostilities are begun, is proceeding in ballast and while in such port for ten clear days after arrival, provided that if such port is not a safe port for her to lie in, or is a friendly port, or being a neutral port, ceases to be neutral, before the expiration of ten clear days after arrival, she shall be further held covered

¹ Notes to which references are made in the body of the policy have been omitted.

until her arrival at a British port which is a safe port for her to lie in, or at a neutral port which is a safe port for her to lie in, and which for ten clear days after her arrival continues to be neutral, and while in such port for ten days after arrival.

(c) If the ship, at the time when war is declared or hostilities are begun by or against the King's enemies, is on a voyage to an enemy's port, she shall be held covered until her arrival at a British port at which she can discharge her cargo and passengers and which is a safe port for her to lie in, or a neutral port at which she can discharge her cargo and her passengers and which is a safe port for her to lie in and which for ten clear days after her arrival continues to be neutral, and while in such ports for ten days after her arrival.

(d) If the ship at the time when war is declared or hostilities are begun by or against the King's enemies, is not on a voyage and is in a British port which is a safe port for the ship to lie in, she shall be held covered while in that port for ten days from the time war is declared or hostilities are begun.

(e) If the ship, at the time war is declared or hostilities are begun by or against the King's enemies, is not on a voyage and is in a neutral port which is a safe port for the ship to lie in, she shall be held covered while in that port for ten clear days from the time when war is declared or hostilities are begun, provided that, if during these ten days such port cease to be neutral, the ship shall be held covered as provided in paragraph (f) of this clause.

(f) If the ship, at the time when war is declared or hostilities are begun by or against the King's enemies, is not on a voyage and is (1) in a British or neutral port which is not a safe port for a ship to lie in, or (2) is in a neutral port which, before the expiration of ten clear days from the time when war is declared or hostilities are begun, ceases to be neutral, or (3) is in a friendly port, or (4) is in an enemy's port; she shall be held covered until her arrival at a British port which is a safe port for the ship to lie in, or at a neutral port which is a safe port for the ship to lie in, and which for ten clear days after her arrival continues to be neutral, and while in such port for ten clear days after arrival.

(g) The ship shall be deemed to be on a voyage from the time when she ships cargo or passengers for a voyage or, if in ballast, from the time when she clears in ballast for a voyage.

(h) The term "a British Port" shall mean a port in the British Islands or in a British possession and the terms "British Islands" and "British possession" shall have the meaning given them respectively by section 18 of the Interpretation Act, 1889. The term "friendly port" shall mean a port of a friendly belligerent.

(4) The assured warrants that the ship is continuously registered in the United Kingdom (note 8).

(5) The assured further warrants:

A. *Note.* The Association will here insert the warrant applicable to the risks mentioned in clause 2 (b).

B. (1)—That, when Great Britain is at war, the ship shall comply, so far as possible, with the orders of His Majesty's Government and the directions of the committee as to routes, ports of call, and stoppages.

(2) That the ship shall leave an enemy's port within the days of grace allowed by the enemy and shall comply with the terms of any pass granted by the enemy. Provided always that (1) in the event of loss by any of the risks mentioned in clause 2 (a) the breach of any of the warranties mentioned in this clause, other than warranties B (1) and (2), shall not operate to invalidate the insurance or to defeat a claim and (2) in the event of loss by any of the risks insured against by the policy, the breach of any of the warranties mentioned in this clause, including warranties B (1) and (2), shall not operate to invalidate the insurance or to defeat a claim if the assured can satisfy the committee (of which the committee shall be the sole judge) that such breach happened without the fault or privity of the assured and of the owners and managers of the ship, or was committed in order to avoid loss by any of the risks mentioned in clause 2 (a).

(6) The committee shall have the sole right of determining the date at which war is to be deemed to have been declared or hostilities to have been begun and what is and what is not a safe port.

(7) If war is declared or hostilities are begun by or against Great Britain, the assured shall give the committee full information of the employment and position of the ship insured and any other information required by the committee and when Great Britain is neutral shall at all times give the information upon demand (note 9).

(8) (a) In the event of a loss by capture, seizure or other like peril within the risk mentioned in clause 2 (a), the Association shall not be bound to pay any claim in respect thereof, until the expiration of 183 days from the date of loss, but if payment is so postponed by the Association, it shall pay interest thereon at the rate of 4 per cent per annum from the date of loss. Provided always that if before the expiration of such 183 days the ship be recaptured or released or restored to the assured there shall be no claim upon the Association for any loss in respect of or arising out of such capture, seizure, detention or other like peril other than the following, namely: (a) the cost to repair damage received by the ship by reason of the capture, seizure, detention or other like peril; (b) the expenses incurred in respect of the ship by reason of the capture, seizure, detention or other like perils and the release of the ship; (c) a sum equal to 10 per cent per annum on the insured value hereinbefore mentioned from the date of capture or seizure or beginning of the detention until the date of release.

(b) In the event of a total loss by any of the risks mentioned in clause (a) the amount due hereunder shall be paid by equal installments at 6-9-12 months from the date of loss, but such installments shall carry interest from the date of loss at the rate of 4 per cent per annum (note 10).

(9) A Ship Entered in This Association shall cease to be Insured:

(a) From the date of the legal transfer of such ship or a transfer of the management of the ship by the member or his firm unless with the written consent of the Association.

(b) If default is made in payment of any call within the time fixed according to the Articles of Association.

(c) If the member becomes bankrupt or insolvent, unless before a claim arises an undertaking approved by the committee registered by them has been given to pay all contributions due or to become due.

(d) If any person giving an undertaking under this rule fail to discharge his liability within seven days of notice being posted to him of a claim upon him.

So long as any member is uninsured in consequence of the operation of this clause, there shall be no liability on the part of this Association for any previous or subsequent claims, but the member shall nevertheless remain liable for contributions for all losses and expenses up to the date fixed by this policy for its expiration. The committee, however, may at their discretion admit the claim of such member to the extent of the contributions which he is liable to pay to the intent that such claims may be set off against such contributions (note 11).

(10) The said ship shall be deemed to be at all times fully insured against all perils covered by an ordinary Lloyd's policy, with collision clause attached (note 12) and containing an F. C. & S. Clause in the following terms:

Warranted free from capture, seizure, and detention and the consequences thereof or any attempt thereat, barratry, piracy, riots and civil commotions excepted and also from all consequences of hostilities or warlike operations whether before or after declaration of war, and to be fully entered in the _____ Protection Association Limited, and no claim whatever against which a ship is deemed to be otherwise insured or protected as aforesaid or against which she is in fact insured or protected by any other insurance policy or Protection Association shall be recoverable under this policy.

(11) In ascertaining whether a ship is a constructive total loss, the insured value shall be taken as the repaired value, and nothing in respect of the damaged or breaking up value of the ship shall be taken into account.

(12) In the event of total or constructive total loss, no claim to be made by the Association for freight or passage moneys, whether notice of abandonment has been given or not (note 13).

(13) Prompt notice of any loss, or of the happening of any event which is likely to give rise to a claim, shall be given in writing to the Association, failing which the committee may, in their absolute discretion, refuse to admit the claim or make such deduction therefrom as they may think fit (note 14).

In witness whereof, the Association have on the _____ day of

_____ 191-.

SECRETARY.

SCHEDULE II

Form of Reinsurance Policy to be Issued by His Majesty's Government under Clause 1

The Association.

Be it Known that.....
as well in.....own name as for and in the name and names of all and every other person or persons to whom the same doth, may, or shall appertain in part or in all, doth, subject to the provisions hereinafter contained and referred to, make assurance with His Majesty's Government and cause them and every one of them, to be insured lost or not lost, for and during the period from.....to....., both days inclusive, beginning and ending with Greenwich mean time. In port and at sea, at all times, in all places and on all occasions, services and trades whatsoever and wheresoever, under steam and sail with leave to sail with or without pilots, to tow and assist vessels or craft in all situations and to be towed. Upon the Body, Tackle, Apparel, Ordnance, Munition, Artillery, Boat and other Furniture, of and in the good ship or vessel called the whereof is Master, under God, or whosoever shall go for Master in the said ship, or by whatsoever other name or names the same ship, or Master thereof, is or shall be named or called in the sum of..... being 80 per cent of.....on Hull, Materials, Machinery, Boilers, etc.

It is further agreed that this insurance shall cover the liability of the Association under the collision clause in the original policy, if the ship came into collision while captured or seized by the King's enemies.

Touching the adventures and perils which we the Assurers are contented to bear and to take upon us, they are of the Seas, men-of-war, fire, enemies, pirates, robbers, thieves, jettisons, letters of Mart and Countermart, Surprisals, Takings at Sea, arrests, restraints, and detainments of all Kings, Princes and people of what nature, condition or quality soever, Barratry of the Master and Mariners, and of all other Perils, Losses and Misfortunes that have or shall come to the Hurt, Detriment or Damage of the said Ship, etc., or any part thereof; and in case of any Loss or Misfortune, it shall be lawful to the assured, their Factors, servants, and assigns, to sue, labor and travel for, in and about the Defense, Safeguard, and Recovery of the said Ship, etc., or any part thereof without Prejudice to this insurance; to the charges whereof we, the insurers will contribute. And it is especially declared and agreed that no acts of the Insurer or insured in recovering, saving or preserving the property insured shall be considered as a waiver or acceptance of abandonment. And it is agreed by us the Insurers, that this writing or Policy of Assurance shall be as much Force and Effect as the surest writing or Policy of Assurance heretofore made in Lamb Street or in the Royal Exchange or elsewhere in London.

Now this Policy Witnesseth that His Majesty's Government takes upon itself the burden of this insurance and promises and binds itself and its successors to the assured, their executors, administrators and assigns for the true performance of the Premises.

I. This insurance is a Reinsurance of the risks.

Underwritten by the Association, Limited, and is subject to the same clauses and conditions as are contained in the form of policy in Schedule I to the agreement between the Association and His Majesty's Government.

1914, but:—

(1) This insurance shall cover only the risk of capture, seizure, and detainment by the King's enemies, whether before or after declaration of war.

(2) This insurance shall apply only from the time when war is declared or hostilities are begun by or against Great Britain.

This insurance shall, notwithstanding that the Period of this insurance has not expired, apply to the following extent, continue to apply, notwithstanding that the period of this insurance has expired, namely:

(A) If the ship, at the time when war is declared or hostilities are begun by or against the King's enemies, is on a voyage to a British or friendly or neutral port or ports with cargo or passengers, she shall be held covered until her arrival at the port, or, if more than one, the last of the ports for which she has on board cargo or passengers shipped before war was declared or hostilities were begun, and while in such port for ten clear days after arrival, provided that if such port is not a safe port for the ship to lie in or is a friendly port, or, being a neutral port ceases to be neutral before the expiration of ten clear days after arrival, she shall be further held covered until her arrival at a British port which is a safe port for her to lie in, or at a neutral port which is a safe port for her to lie in, and which for ten clear days after her arrival continues to be neutral, and while in such port for ten clear days after arrival.

(B) If the ship, at the time when war is declared or hostilities are begun by or against the King's enemies, is on a voyage to a British or friendly or neutral port in ballast, she shall be held covered until her arrival at the port to which she, at the time when war is declared or hostilities are begun, is proceeding in ballast and while in such port for ten clear days after arrival, provided that if such port is not a safe port for the ship to lie in, or is a friendly port, or being a neutral port, ceases to be neutral, before the expiration of ten clear days after arrival, she shall be further held covered until her arrival at a British port which is a safe port for her to lie in, or at a neutral port which is a safe port for her to lie in, and which for ten clear days after her arrival continues to be neutral, and while in such port for ten clear days after arrival.

(C) If the ship, at the time when war is declared or hostilities are begun by or against the King's enemies, is on a voyage to an enemy's port, she shall be held covered until her arrival at a British port at which she can discharge her cargo and passengers and which is a safe port for her to lie in, or a neutral port at which she can discharge her cargo and passengers

and which is a safe port for her to lie in and which for ten clear days after her arrival continues to be neutral, and while in such port for ten clear days after arrival.

(D) If the ship, at the time when war is declared or hostilities are begun by or against the King's enemies, is not on a voyage and is in a British port which is a safe port for the ship to lie in, she shall be held covered while in that port for ten clear days from the time when war is declared or hostilities are begun.

(E) If the ship, at the time when war is declared or hostilities are begun by or against the King's enemies, is not on a voyage and is in a neutral port which is a safe port for the ship to lie in, she shall be held covered while in that port for ten clear days from the time when war is declared or hostilities are begun, provided that, if during such ten days such port ceases to be neutral, the ship shall be held covered as provided in paragraph (F) of this clause.

(F) If the ship, at the time when war is declared or hostilities are begun by or against the King's enemies, is not on a voyage and is (1) in a British or neutral port which is not a safe port for the ship to lie in, or (2) is in a neutral port which, before the expiration of ten clear days from the time when war is declared or hostilities are begun, ceases to be neutral, or (3) is in a friendly port, or (4) is in an enemy's port; she shall be held covered until her arrival at a British port which is a safe port for the ship to lie in, or at a neutral port which is a safe port for the ship to lie in and which for ten clear days after her arrival continues to be neutral and while in such port for ten clear days after arrival.

(G) The ship shall be deemed to be on a voyage from the time when she ships cargo or passengers for a voyage or, if in ballast, from the time when she clears in ballast for a voyage.

(H) The term "a British port" shall mean a port in the British Islands or in a British Possession, and the terms "British Islands" and "British Possession" shall have the meaning given them respectively by Paragraph 18 of the Interpretation Act, 1889. The term "Friendly Port" shall mean the Port of a friendly belligerent.

2. This insurance is granted without premium in consideration of the Association as original insuring or having at request of His Majesty's Government insured the subject matter of this insurance against the like risks.

3. Valued as in the original policy or policies.

4. To pay as may be paid on the original policy or policies to the extent of 80 per cent. of the liability of the said Association thereon and the settlement of a loss by the Committee of the Association, unless dissented from in writing by the representatives on such Committee of His Majesty's Government to be accepted as final and conclusive.

SCHEDULE III

Form of Policy to be Issued by the Association to Cover New Voyages
after Outbreak of War

The Association.
 . Be it Known that.....
 as well in.....own name as for and in the name and
 names of all and every other person or persons to whom the same doth,
 may, or shall appertain in part or in all, doth, subject to the provisions here-
 inafter contained and referred to, make assurance and cause them and every
 one of them, to be insured lost or not lost, at and from.....to
(and thence to.....and while there and thereto)
 and while there for thirty days after arrival or until succeeding voyage or
 Time Policy against the risks hereby insured attaches whichever period shall
 be less with leave in this voyage to proceed and sail to and touch and stay
 at any ports or places whatsoever without prejudice to this insurance and
 to sail with or without pilots, to tow and assist vessels or craft in all situa-
 tions, and to be towed
 upon the Body, Tackle, Apparel, Ordnance, Munition, Artillery, Boat
 and other Furniture of and in the Ship or Vessel called the.....

 whereof is Master, under God,
 or whosoever else shall go for Master in the said Ship, or by whatsoever
 other name or names the same Ship, or the Master thereof, is or shall be
 named or called,
 in the sum of.....on Hull, Materials, Machinery,
 Boilers, etc., valued at.....

It is further agreed that this insurance shall cover the liability of the
 Association under the collision clause in the original policy, if the ship came
 into collision while captured or seized by the King's enemies.

Touching the adventures and perils which we the Assurers are contented
 to bear and to take upon us, they are of the Seas, men-of-war, fire, enemies,
 pirates, robbers, thieves, jettisons, letters of Mart and Countermart, Sur-
 prisals, Takings at Sea, arrests, restraints, and detainments of all Kings,
 Princes and people of what nature, condition or quality soever, Barratry
 of the Master and Mariners, and of all other Perils, Losses and Misfortunes
 that have or shall come to the Hurt, Detriment or Damage of the said
 Ship, etc., or any part thereof; and in case of any Loss or Misfortune, it
 shall be lawful to the assured, their Factors, servants, and assigns, to sue,
 labor, and travel for, in and about the Defense, Safeguard, and Recovery
 of the said Ship, etc., or any part thereof without Prejudice to this insurance;
 to the charges whereof we, the insurers will contribute. And it is especially
 declared and agreed that no acts of the Insurer or insured in recovering,
 saving or preserving the property insured shall be considered as a waiver

or acceptance of abandonment. And it is agreed by us the Insurers, that this writing or Policy of Assurance shall be as much Force and Effect as the surest writing or Policy of Assurance heretofore made in Lamb Street or in the Royal Exchange or elsewhere in London.

And so we, the Insurers, are contented and do hereby promise and bind ourselves, each one for his own part, our Heirs, Executors, and Goods, to the Assured, their Executors, Administrators and Assigns, for the true Performance of the Premises, it being agreed that the Assured, shall in consideration thereof, pay to us The _____ Association (hereinafter called the Association) a premium at and after the rate of —, and shall, if and when the same become payable, further pay all the sums and contributions which the Association shall become entitled to call upon the Assured, as a member or members of the Association to pay to the Association according to the Articles of Association for the time being in force. Warranted to sail on or before, but in the event of the vessel sailing after that time it is agreed to hold the Assured covered at the rate of premium for the time being fixed by His Majesty's Government.

(1) This Insurance Is Only To Cover (note 2)¹ the risks of capture, seizure, and detainment by the King's enemies and the consequences thereof, or any attempt thereat, and all consequences of hostilities or warlike operations by or against the King's enemies, whether before or after declaration of war, but this Insurance shall not be subject to a 3 per cent. or other franchise (note 3).

Average payable without deduction of thirds, new for old, whether the average be particular or general (note 4).

General average and salvage to be adjusted according to the law and practice obtaining at the place where the adventure ends, as if the contract of affreightment so provides, according to York-Antwerp Rules, or, in the case of wood cargoes, York-Antwerp Rules omitting the first word of Rule 1 ("no") (note 5).

(2) This Policy Is Subject to The Articles of Association (note 6).
For the Time Being in Force of the Association.

(3) The Assured Warrants that the ship is throughout the voyage registered in the United Kingdom (note 7).

(4) The Assured Further Warrants:—

(A) That the ship shall comply, so far as possible, with the orders of His Majesty's Government and the directions of the Committee as to routes, ports of call, and stoppages.

(B) That the ship shall not start on the voyage if ordered by His Majesty's Government not to do so.

(C) That the ship shall leave an enemy's port within the days of grace allowed by the enemy, and shall comply with the terms of any pass granted by the enemy.

(D) That the ship shall not enter or leave, or attempt to enter or

¹ Notes to which references are made in the body of the policy have been omitted.

leave, any port which is known to be blockaded by the enemy. Provided always that the breach of any of the warranties mentioned in this clause shall not operate to invalidate the insurance or to defeat a claim if the assured can satisfy the Committee (of which Committee shall be the sole judge) that such breach happened without the fault or privity of the assured and of the owners and managers of the ship.

(5) If the ship is prevented by His Majesty's Government from starting on the voyage, the assured may, at his option, require this policy to be canceled and the premium to be returned.

(6) The assured shall, upon demand, give the Committee full information of the employment and position of the ship insured and any other information required by the Committee.

(7) (I) In the event of a loss by capture, seizure, or detainment, the Association shall not be bound to pay any claim in respect thereof until the expiration of 183 days from the date of loss, but if payment is so postponed by the Association, it shall pay interest thereon at the rate of 4 per cent. per annum from the date of loss. Provided always that if before the expiration of such 183 days the ship be recaptured or released or restored to the assured there shall be no claim upon the Association for any loss in respect of or arising out of such capture, seizure, or detainment other than the following, namely: (A) the cost of repair of damage received by the ship by reason of the capture, seizure, or detainment, (B) the expenses incurred in respect of the ship by reason of the capture, seizure, or detainment and the release of the ship, (C) a sum equal to 10 per cent. per annum on the insured value hereinbefore mentioned from the date of capture or seizure or beginning of the detainment until the date of release.

(II) In the event of a total loss under this policy the amount due hereunder to be paid by equal installments at six, nine, and twelve months from the date of loss, but such installments shall carry interest from the date of loss at the rate of 4 per cent. per annum.

(8) A Ship Entered in This Association Shall Cease to Be Insured:—

(A) From the date of the legal transfer of such ship or transfer of the management of the ship by the member or his firm, unless with the written consent of the Association.

(B) If default is made in payment of any call within the time fixed according to the Articles of Association.

(C) If the member becomes bankrupt or insolvent unless before a claim arises an undertaking approved by the Committee and registered by them has been given to pay all contributions due or to become due.

(D) If any person giving an undertaking under this rule fail to discharge his liability within seven days of notice being posted to him of a claim upon him.

So long as any member is uninsured in consequence of the operation of this clause there shall be no liability on the part of this Association for any previous or subsequent claims, but the member shall nevertheless remain liable for contributions for all losses and expenses up to the date fixed by

this policy for its expiration. The Committee, however, may at their discretion admit the claims of such member to the extent of the contributions which he is liable to pay to the intent that such claims may be set off against such contributions (note 8).

(9) The said ship shall be deemed to be at all times fully insured against all perils covered by an ordinary Lloyd's policy, with collision clause attached (note 9) and containing an F. C. & S. clause in the following terms:

Warranted free from capture, seizure and detention, and the consequences thereof or any attempt thereat, barratry, piracy, riots and civil commotions excepted and also from all consequences of hostilities or warlike operations whether before or after declaration of war. and to be fully entered in the.....Protection Association Limited, and no claim whatever against which a ship is deemed to be otherwise insured or protected as aforesaid or against which she is in fact insured or protected by any other insurance policy or Protection Association shall be recoverable under this policy.

(10) In ascertaining whether a ship is a constructive total loss, the insured value shall be taken as the repaired value, and nothing in respect of the damaged or breaking up value of the ship shall be taken into account.

(11) In the event of total or constructive total loss no claim to be made by the Association for freight or passage moneys, whether notice of abandonment has been given or not (note 10).

(12) Prompt notice of any loss, or of the happening of any event which is likely to give rise to a claim, shall be given in writing to the Association, failing which the Committee may, in their absolute discretion, refuse to admit the claim or make such deduction therefrom as they may think fit (note 11).

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